VOLKSWAGEN
AKTIENGESELLSCHAFT

Interim Report 2017

January – September

Key Figures

VOLKSWAGEN GROUP

Volume Data[1]	Q3 2017	Q3 2016	%	Q1–3 2017	Q1–3 2016	%
Deliveries to customers (thousand units)	2,651	2,493	+6.3	7,807	7,609	+2.6
of which: in Germany	295	307	−3.9	973	992	−1.9
abroad	2,356	2,187	+7.8	6,833	6,617	+3.3
Vehicle sales (thousand units)	2,642	2,454	+7.7	7,913	7,653	+3.4
of which: in Germany	289	281	+2.9	962	960	+0.2
abroad	2,354	2,173	+8.3	6,951	6,693	+3.9
Production (thousand units)	2,606	2,377	+9.6	8,039	7,645	+5.2
of which: in Germany	609	623	−2.3	1,961	2,028	−3.3
abroad	1,997	1,754	+13.8	6,078	5,617	+8.2
Employees (thousand on Sept. 30, 2017/Dec. 31, 2016)				636.7	626.7	+1.6
of which: in Germany				286.3	281.5	+1.7
abroad				350.5	345.2	+1.5

Financial Data (IFRSs), € million	Q3 2017	Q3 2016	%	Q1–3 2017	Q1–3 2016	%
Sales revenue	55,002	51,997	+5.8	170,864	159,932	+6.8
Operating profit before special items	4,315	3,750	+15.1	13,231	11,267	+17.4
as a percentage of sales revenue	7.8	7.2		7.7	7.0	
Special items	−2,595	−442	x	−2,595	−2,620	−0.9
Operating profit	1,720	3,308	−48.0	10,636	8,647	+23.0
as a percentage of sales revenue	3.1	6.4		6.2	5.4	
Profit before tax	1,592	3,348	−52.5	10,552	8,159	+29.3
as a percentage of sales revenue	2.9	6.4		6.2	5.1	
Profit after tax	1,140	2,337	−51.2	7,735	5,915	+30.8
Profit attributable to Volkswagen AG shareholders	1,061	2,277	−53.4	7,535	5,738	+31.3
Cash flows from operating activities	3,224	5,268	−38.8	346	10,379	−96.7
Cash flows from investing activities attributable to operating activities	4,276	4,992	−14.4	11,315	10,142	+11.6
Automotive Division[2]						
Total research and development costs	3,084	3,510	−12.1	9,844	10,129	−2.8
as a percentage of sales revenue (R&D ratio)	6.6	7.9		6.8	7.4	
EBITDA[3]	4,771	6,035	−20.9	19,491	17,009	+14.6
Cash flows from operating activities	6,007	7,262	−17.3	8,040	16,998	−52.7
Cash flows from investing activities attributable to operating activities[4]	4,159	4,893	−15.0	10,988	9,495	e +15.7
of which: capex	2,930	3,288	−10.9	7,089	7,803	−9.2
as a percentage of sales revenue	6.3	7.4		4.9	5.7	
capitalized development costs	1,291	1,640	−21.3	4,210	4,222	−0.3
as a percentage of sales revenue	2.8	3.7		2.9	3.1	
Net cash flow	1,848	2,369	−22.0	−2,948	7,504	x
Net liquidity at September 30				25,443	31,115	−18.2

1 Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method. 2016 deliveries updated to reflect subsequent statistical trends.
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3 Operating profit plus net depreciation/amortization and impairment losses/reversals of impairment losses on property, plant and equipment, capitalized development costs, lease assets, goodwill and financial assets as reported in the cash flow statement.
4 Excluding acquisition and disposal of equity investments: Q3 €4,148 (4,850) million, Q1–3 €11,001 (11,788) million.

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

Key Facts

- **Volkswagen Group deliveries to customers up 2.6% on the previous year at 7.8 million vehicles; growth especially in Europe as well as in South and North America**
- **Group sales revenue of €170.9 (159.9) billion significantly exceeds prior-year figure due to volume-related factors**
- **Operating profit climbs €2.0 billion to €10.6 billion; negative special items in connection with the diesel issue amount to €2.6 billion (previous year's special items totaling €–2.6 billion)**
- **At €13.2 billion, operating profit before special items exceeds the corresponding prior-year figure by €2.0 billion.**
- **Profit before tax increases by €2.4 billion to €10.6 billion**
- **Automotive Division's net cash flow reflects the strong operating business, however, stands at €–2.9 (7.5) billion after anticipated high cash outflows attributable to the diesel issue; capex ratio of 4.9 (5.7)%**
- **Net liquidity in the Automotive Division came to €25.4 billion**
- **Exciting new products:**
  - **Volkswagen Passenger Cars expands its SUV range with the T-Roc; the enhanced I.D. CROZZ II show car gives a glimpse of the electric SUV of the future**
  - **Audi presents the new A8 with its innovative driver assistance systems ranging to highly automated driving**
  - **ŠKODA's innovative VISION E electric concept car makes its debut in Europe**
  - **SEAT impresses with the powerful Leon CUPRA R**
  - **Porsche celebrates the world premiere of the new Cayenne**
  - **Bentley fascinates with the third generation of the Continental GT**
  - **Volkswagen Commercial Vehicles turns heads with the California XXL concept, on show for the first time**

Key Events

MOTOR SHOWS AND EVENTS

The Volkswagen Group brands presented impressive new products at numerous motor shows and events in the third quarter of 2017.

Audi Summit

During the Audi Summit in Barcelona, the premium brand presented the new Audi A8 for the first time together with further technological milestones. The brand presented new concepts for individual mobility in the digital age in areas of importance for the future such as sustainable production, lightweight construction, connectivity, piloted driving and digital services. The fourth generation of the A8, Audi's flagship, is rolling off the assembly line. The design language defines the brand's new look, and the on-board technology is groundbreaking. The mild hybrid with its 48 V main electrical system enables enhanced start/stop operation and high energy recovery. The vehicle can coast with its engine switched off and its powertrain disconnected. The Audi A8 is the world's first production car designed for highly automated driving. The company also presented its Audi AI technology, a trademark that stands for autonomy, intelligence and innovation. Among other things, the Audi AI will make life easier and journeys safer with the aid of artificial intelligence. The Audi of the future will use machine learning to continuously develop its capabilities. Through this process, the technology will adapt itself to meet people's individual needs. Audi AI can also suggest services and book them for the occupants if desired.

International Motor Show (IAA)

At the 67th International Motor Show (IAA) in Frankfurt am Main, the Volkswagen Group launched Roadmap E, a comprehensive electrification offensive. The Group brands will bring 80 new electric vehicles onto the market by 2025, including 50 all-electric vehicles and 30 plug-in hybrids. More than €20 billion will be invested in the industrialization of electric mobility by 2030. In order to provide battery power for the Group's electric fleet by 2025, the Company has invited tenders for a purchasing volume in excess of €50 billion.

The highlight from Volkswagen Passenger Cars at the IAA was the motor show premiere of the T-Roc. The compact crossover model expands the brand's SUV range. Its sporty modern exterior underscores Volkswagen's exciting new design language. Inside, the combination of the Active Info Display and infotainment system creates a digital and interactive cockpit. A wide range of online services and apps can be used with a smartphone and Volkswagen Car-Net. The standard assistance systems include multicollision brake, the active lane-keeping system, Lane Assist and the area monitoring system, Front Assist with Pedestrian Monitoring and City Emergency Braking System. Optional extras include Adaptive Cruise Control (ACC), a rear-view camera and Side Assist. The wide range of convenience systems include Dynamic Chassis Control (DCC), progressive steering and the Keyless Access locking and ignition system. The all-rounder is available in front- or all-wheel drive and offers a selection of efficient turbocharged engines – three petrol TSIs and three diesel TDIs. With the enhanced I.D. CROZZ II – an SUV-coupé crossover which makes a powerful impression – the Volkswagen brand gave Frankfurt a glimpse of the SUV of the future. The electric concept car offers an impressive amount of space and highly versatile seating design. There are no B-pillars, meaning that the large hinged and sliding doors provide a wide opening. Voice commands can be used to operate the doors and activate the fully automated I.D. Pilot mode. The vehicle has an electric motor on the front and rear axle. Power distribution is controlled by an electric drive shaft. The SUV boasts a powerful 225 kW (306 PS) output, top speeds of 180 km/h and a range of up to 500 km on a single battery charge. The new generation of the Polo GTI with a power output of 147 kW (200 PS) also made its motor show debut in Frankfurt. The GTI impresses with a combination of great agility, a light weight, dynamic yet comfortable suspension, sure-footed front-wheel drive and an ergonomically optimized seating position behind a nonslip sports steering wheel. These features stand alongside GTI features such as the typical red stripes in the radiator grille and iconic Clark plaid seat covers. The presentation of the updated Golf Sportsvan rounded off the brand's appearance at the motor show.

Audi used the IAA 2017 to showcase its strategy for autonomous driving. The new A8 is the world's first production model designed for conditional automated driving at level 3 under international standards. Audi AI's Traffic Jam Pilot drives the vehicle in slow-moving traffic at up to 60 km/h on interstates and multi-lane highways with a physical barrier separating the two directions of traffic. The system takes over the task of starting from a stop, accelerating, steering and braking in its lane. Once the driver has activated the Traffic Jam Pilot function with the AI button on the center console, he can take his foot off the gas pedal and let go of the steering wheel for extended periods of time. Audi also presented its vision for autonomous driving at levels 4 and 5 with two concept vehicles. An SUV coupé concept car, based on the Audi e-tron Sportback concept, excites with dynamic lines, progressive lighting technology, a functional, elegant interior and electric quattro drive with three electric motors and a system power output of 370 kW (503 PS). For highly automated driving at level 4, the vehicle uses a next-generation central driver assistance controller (zFAS). This delivers information to the Motorway Pilot, which takes charge of driving at speeds of up to 130 km/h and enables the car to change lanes by itself. The brand with the four rings also presented a level-5 fully autonomous Audi of the future – the four-door concept car Audi Aicon, which comes without a steering wheel or pedals. The four-seat vehicle also takes a leap into the future with its exterior and interior design concept. The technological showpiece offers a visionary combination of innovations in drivetrain and chassis technology, as well as in digitalization and sustainability. The Aicon is an all-electric vehicle and will be able to cover distances of 700 to 800 km on a single battery charge. Further production models – from the sporty to the ultra-efficient – rounded off Audi's presence at the motor show, including the new R8 V10 RWS and the new RS4 Avant.

On ŠKODA's stand at the motor show, the VISION E concept celebrated its European premiere. The first electric-powered concept car in the company's history offers level-3 autonomous driving and takes connectivity to a new level. In addition to a screen on the dashboard and a central touchscreen, the vehicle provides each passenger with their own display for vehicle information or entertainment. The car impresses with 225 kW (306 PS) of power, a range of up to 500 km and a maximum speed of 180 km/h. In addition, the Car Park Autopilot can automatically direct the vehicle to available parking spaces. ŠKODA also continued its SUV offensive at the IAA. With its exciting, dynamic exterior, the ŠKODA Karoq showed off the brand's latest design language. The long wheelbase guarantees plenty of space for passengers and luggage. At between 521 and 1,630 liters, the boot is the largest in its class. The numerous 'Simply Clever' details include the electric swivel trailer hitch that can be folded out automatically. A new feature in the ŠKODA Karoq is the flexible window shade that can be hooked into the boot lid. There is a choice of two petrol engines and three diesel engines with power outputs ranging from 85 kW (115 PS) to 140 kW (190 PS). The ŠKODA compact SUV is the Czech brand's most digital vehicle. The individually programmable, digital instrument panel can be personalized and connected to the infotainment system. Passengers are always online thanks to an LTE module and WI-FI hotspot. ŠKODA also showed off two attractive model variants of its large SUV in Frankfurt: the Kodiaq Scout and Kodiaq Sportline.

The centerpiece of the SEAT stand at the motor show was the new Arona, the Spanish brand's first foray into the compact crossover SUV segment. The SEAT Arona is aimed at drivers looking for an exciting driving experience with that little extra. It sits beneath the SEAT Ateca in SEAT's product range and is the second vehicle in addition to the SEAT Ibiza to be built on the MQB-A0 platform. The Arona is distinguished by its exceptional design, compact crossover dimensions and extensive personalization options, as well as its modern safety and connectivity technology. It was not only the new models that drew attention at the IAA. SEAT will be the first European car manufacturer to integrate Amazon's interactive voice-activated assistant Alexa into its vehicles. The system will be available in the SEAT Leon and SEAT Ateca from the end of the year, and from next year in the SEAT Ibiza and SEAT Arona. Drivers can use Alexa to quickly and easily find their destination, the nearest car dealer or a restaurant, for example. The new 228 kW (310 PS) SEAT Leon CUPRA R also turned heads at the motor show. The most powerful road vehicle in the company's history is also the brand's most exclusive, with production limited to 799 units. The CUPRA R's exterior features unconventional details such as exclusive carbon fiber trim, copper-colored wing mirrors and rims as well as a new, stronger design around the air intake grilles by the wheel arches and at the front end.

At the IAA, Porsche unveiled the third generation of its successful Cayenne model. The SUV has been completely redeveloped and combines to an even greater extent the performance typical of a Porsche with utmost everyday practicality. Even though it comes with more standard features, the Cayenne is up to 65 kg lighter than its predecessor thanks to its lightweight construction. The highlight at the motor show was the world premiere of the new Cayenne Turbo. The top-of-the-range model in the series raises the bar for sporty performance in its segment. The exclusive design of the rear end and the LED main headlights of the Porsche Dynamic Light System give the vehicle both a dominant and stand-out appearance. The side view is characterized by 21-inch wheels specially reserved for the top model, which are located in widened wheel arches with painted wheel arch trims. The twin tailpipes, specific to the Turbo, are the key distinguishing features on the rear end. The interior impresses with more sportiness and also greater comfort. Virtually all the vehicle functions of the fully connected SUV can be displayed and operated using the high-resolution displays and touchscreens in the Porsche Advanced Cockpit. The centerpiece of the Cayenne Turbo is the new four-liter twin-turbo V8 engine. It delivers 404 kW (550 PS), outperforming its predecessor by 22 kW (30 PS). The new eight-speed Tiptronic S converts the power into both acceleration and speed using the active all-wheel drive: the new Turbo races to 100 km/h in 4.1 seconds and boasts a top speed of 286 km/h. Porsche also presented the world premiere of another pure high-performance sports car in Frankfurt: the 911 GT3 with Touring Package. Its naturally aspirated four-liter motorsports engine generates 368 kW (500 PS) and 460 Nm of torque. Acceleration from 0 to 100 km/h takes just 3.9 seconds and it has a top speed of

316 km/h. The 911 GT3 with Touring Package is only available with a manual six-speed gearbox. Instead of a fixed rear wing, it has a variable rear spoiler like the 911 Carrera.

Bentley debuted the third generation of the successful Continental GT, which is setting new standards in the luxury grand tourer segment. Compared to its predecessor, the new Continental GT has a longer bonnet, flatter front end and extra-wide radiator grille. The exclusive interior features a virtual cockpit and a 12.3-inch foldaway touchscreen in the center console. The W12 engine puts an impressive 467 kW (635 PS) to the wheels via an eight-speed dual-clutch gearbox. This enables the grand tourer to race to 100 km/h in just 3.7 seconds. The top speed is 333 km/h. Alongside the Continental GT, Bentley also showed off the Mulsanne by Mulliner and the Bentayga W12 in Frankfurt.

Lamborghini presented the Aventador S Roadster, which combines the technologies and driving dynamics of the Aventador S with an exciting open-air driving experience and sets new benchmarks in engineering and performance. It is the only V12 mid-engined super sport roadster. The powertrain delivers 544 kW (740 PS) and catapults the vehicle from 0 to 100 km/h in 3.0 seconds. It boasts a top speed of 350 km/h. In addition to its outstanding performance, the Roadster stands out from the crowd thanks to numerous color and equipment options, including new materials and extensive use of carbon fiber. The customization program Ad Personam is also available.

Volkswagen Commercial Vehicles presented the Amarok Aventura Exclusive concept at the IAA. The premium pickup in Turmeric Yellow Metallic gives a glimpse of the future top-of-the-range engine in the product line: the 3.0-litre V6 TDI with eight-speed automatic gearbox and permanent all-wheel drive offers 190 kW (258 PS) and provides plenty of thrust and traction. The limited-run special edition Amarok Dark Label is aimed at design-oriented individualists and is based on the Amarok Comfortline equipment line. With its Indium Grey Matte paintwork, black side bars, chrome strip on the front grille and 18-inch alloy wheels, the Dark Label is decidedly stylish.

Caravan Salon

At the Caravan Salon in Düsseldorf, Volkswagen Commercial Vehicles presented its classic California camper van in the Beach, Coast and Ocean equipment versions along with the Caddy Beach entry model. The world premiere of the California XXL concept attracted attention. It is based on the new Crafter, which is one of the world's most state-of-the-art all-round vans with its comfortable and safe handling, efficient engines and myriad of assistance systems. Equipped with a fixed high panoramic roof, an extended rear end with a large bed, a second sleeping area, all-wheel drive, pneumatic suspension and optimally arranged interior space, the concept demonstrates what a potential big brother for the California could look like in future.

AWARDS

In mid-July 2017, the Auto Test motoring magazine crowned the ŠKODA Kodiaq the overall winner of all imported vehicles tested. The judges were impressed by the spaciousness, flexibility, value for money and excellent handling of the Czech brand's large SUV. The ŠKODA Superb Combi clinched a double victory for the brand by taking second place. Overall, this is the fourth consecutive win for ŠKODA.

In late July 2017, the APEAL study by US market research institute J.D. Power gave awards to Audi's A3, A4 and A7 models in the Small Premium Cars, Compact Premium Cars and Midsize Premium Cars categories. The Porsche Macan, Cayenne and 911 also took awards in the Compact Premium SUV, Midsize Premium SUV and Midsize Premium Sporty Car classes. The study measures the satisfaction of new-car buyers in the USA in the first 90 days after purchase. In addition to driving dynamics and design, it also takes into account aspects such as everyday practicality and comfort.

In early September 2017, readers of Deutsche Handwerks Zeitung and handwerk magazin chose no fewer than three Volkswagen Group models for the “Chef-Kombi 2017” (top estate 2017) award. The Audi A6 Avant won in the premium-class segment. The Passat Estate took the top spot in the mid-size category, ahead of the Audi A4 Avant. In the import category, the ŠKODA brand achieved first place with the Superb Estate, while the Octavia Estate came third. The quality, handling and spaciousness were especially decisive.

The Volkswagen Passenger Cars brand received several design and innovation awards at the IAA in Frankfurt in mid-September 2017. Of particular note was the “Most Innovative Brand 2017” title given to the Volkswagen Passenger Cars brand by the Plus X Award jury. The I.D. BUZZ, Golf, Atlas and Arteon also took awards in the concept vehicle, compact passenger car, SUV and saloon categories for 2017. Meanwhile, in the "Automotive Brand Contest 2017", the new Arteon took the “Best of Best” title in the Exterior and Interior Volume Brand categories. The Plus X Award is one of the world's biggest innovation prizes for technology, sport and lifestyle.

Also in mid-September 2017, the Volkswagen Group received the “Innovation of the Year” award at the Automotive Brand Contest 2017 for its cross-brand, future-oriented Sedric concept. The independent expert jury particularly praised the way that the product, control interface and services combine to meet customer needs. The Fleet Magazine for fleet managers and the responsive website www.fleetdriver.de for company car drivers were winners in the Corporate Publishing and Digital categories. The jury emphasized both the professional design and the way that content features are interlinked and complement one another.

Readers of AUTOStraßenverkehr and Leben & Erziehen magazines crowned several Volkswagen Group vehicles their “Family Car of the Year “in September 2017. For Volkswagen Passenger Cars, the Touran and Sharan topped the overall rankings in their respective price categories. Volkswagen Commercial Vehicles took the title for the sixth time in seven years with its Multivan. Audi chalked up a victory with its Q5. The ŠKODA brand also impressed readers, with the Fabia Estate winning the overall import rankings and the Octavia Estate, Yeti and Superb Estate taking top place in their respective import categories. SEAT won an award for its Alhambra model. Spaciousness, safety and value for money were the most decisive factors for the awards.

ANNIVERSARIES

In July 2017, Volkswagen do Brasil celebrated production of the eight millionth Gol at its plant in Taubaté. In addition to the Gol, the site also manufactures the up!, cross up! and Voyage models.

The 150 millionth Volkswagen was manufactured in late August 2017. The anniversary vehicle which rolled off the assembly line at Volkswagen’s main plant in Wolfsburg was a plug-in hybrid: a blue Golf GTE. This impressive figure comprises, among other models, 34 million Golfs, 21.5 million Beetles, 20 million Passats, approximately 19.5 million Jettas and almost 17 million Polos. The team at the Wolfsburg main plant have made an essential contribution to this milestone, completing over 44 million vehicles since production started some 72 years ago.

At the end of September 2017, the ŠKODA plant in Kvasiny produced the 20 millionth vehicle since the commencement of production. The anniversary model was a Karoq.

PARTNERSHIPS

In early July 2017, Volkswagen’s Group Research and the automation specialist KUKA agreed a new strategic partnership. Among other things, the aim of the research collaboration is to develop robotics-based innovations for electric and self-driving cars. In addition to the technological foundations, concepts for innovative applications are to be developed.

In late August 2017, Audi and Alta Devices, a subsidiary of Chinese solar-cell specialist Hanergy, announced a strategic alliance. The goal is to integrate thin-film solar cells into panorama glass roofs of Audi models, generate solar electricity and thereby increase the range of electric vehicles. A first prototype is to be built by the end of 2017.

In early September 2017, the Volkswagen Passenger Cars brand and DHL Paket launched the “We by Volkswagen Deliver” pilot project in Berlin. The scheme makes it easier for customers to take delivery of parcels. During an eight-month test phase, selected customers can use 50 Polos as delivery stations: parcels are delivered straight to the car. With the option to use the vehicle as a mobile delivery address, Volkswagen is expanding its range of car-related mobility solutions and underscoring its ambitions to become one of the world’s top providers of efficient, convenient and sustainable mobility services by 2025.

Also at the beginning of September 2017, Volkswagen and IBM entered into a partnership for development of personalized digital mobility services with a view to actively shaping the growing trend towards networking between vehicles and drivers. “We Commerce” is to be the first joint development in the new “Volkswagen WE” digital ecosystem. This will be a service to provide drivers with personalized recommendations for action at the right place and time.

DIESEL ISSUE

In the third quarter, the Volkswagen Group increased its provisions relating to the buyback/retrofit programs for 2.0 l TDI vehicles, which are part of the settlement in North America, and are proving to be more complex. Continuous monitoring of the program has shown that the scheme is more comprehensive and technically more challenging than expected; this also entails an extension to the program period. Negative special items of €2.6 billion weighed on operating profit in 2017.

NATIONAL FORUM DIESEL

At the “National Diesel Forum” in early August 2017, the Volkswagen Group together with the federal government, federal states, municipalities and other German automakers launched a set of measures that will go a long way towards achieving a rapid, lasting reduction in NO_x emissions. One key measure is the trade-in bonus offered for Euro 1 to 4 diesel models, which will be implemented across the brands in the Volkswagen Group. In addition, a software update for Euro 5 and, in some cases, Euro 6 diesel vehicles will be available not only in Germany but throughout Europe. Furthermore, the Volkswagen Group will participate in the “sustainable mobility for the city” fund commensurate with its market share in Germany.

ANTITRUST PROCEEDINGS

In 2011, the European Commission conducted searches at European truck manufacturers on suspicion of an unlawful exchange of information during the period 1997–2011 and issued a statement of objections to MAN, Scania and the other truck manufacturers concerned in November 2014.

With its settlement decision in July 2016, the European Commission fined five European truck manufacturers. MAN’s fine was waived in full as the company had informed the European Commission about the irregularities as a key witness.

In September 2017, the European Commission then fined Scania €0.88 billion. Scania plans to appeal to the European Court in Luxembourg and use all means at its disposal to defend itself. Scania had already recognized a provision of €0.4 billion in 2016.

Within the scope of the European Commission's ongoing antitrust investigations regarding German automakers, authorities examined documents in the offices of Volkswagen AG in Wolfsburg and AUDI AG in Ingolstadt as part of an announced review. The Volkswagen Group and the Group brands concerned have been cooperating fully and for a long time with the European Commission and have submitted a corresponding application. It is currently unclear whether the European Commission will instigate formal proceedings.

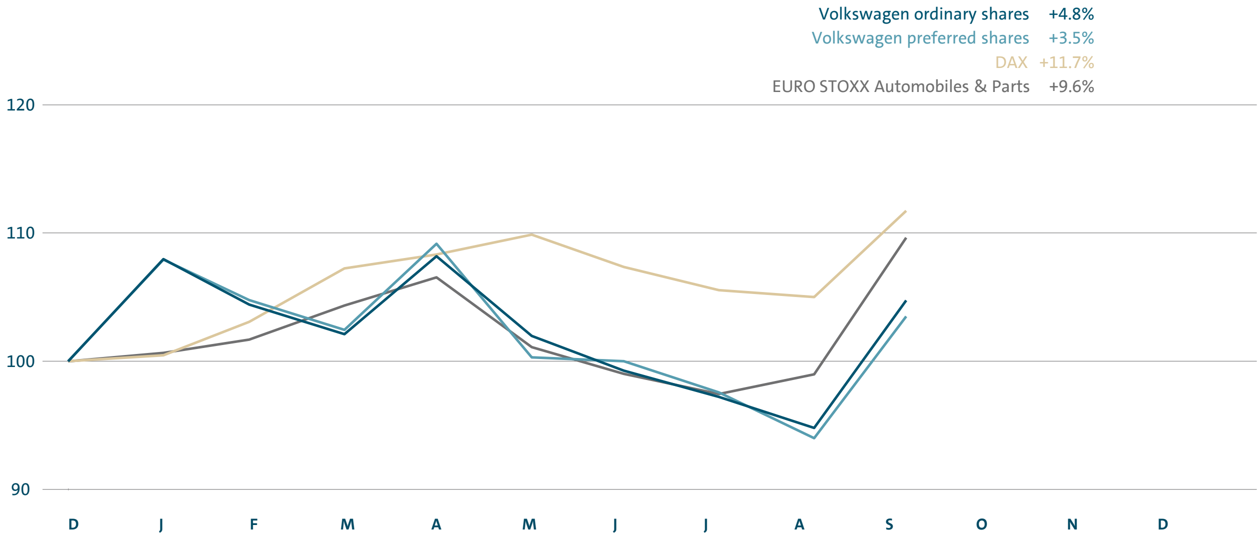
Volkswagen Shares

In the period from January to September 2017, prices on the international equity markets rose amid volatile trading.

The DAX also recorded an increase compared with the end of 2016. The promising economic performance of important industrialized nations, the improved situation in the US labor market, the outcome of the elections in the Netherlands and France and strong corporate results had a positive impact. Uncertainty as regards the economic policy of the new US government, the election results in Europe, the monetary policy of the US Federal Reserve as well as the European Central Bank, the strong euro and international crises also had a negative impact on share prices at times.

In the first nine months of 2017, Volkswagen AG's preferred and ordinary shares trailed behind the rising market trend amid high volatility. Positive stimulus was generated by settlement agreements in the United States in connection with the diesel issue, strong corporate earnings and the successful performance of the Volkswagen Passenger Cars brand. Share prices were negatively impacted by the provisions required in connection with the diesel issue as well as uncertainty about further legal risks arising from the diesel issue, suspected antitrust behavior by German automotive companies and the future regulatory framework for diesel and electric vehicles.

PRICE DEVELOPMENT FROM DECEMBER 2016 TO SEPTEMBER 2017
Index based on month-end prices: December 31, 2016 = 100



Information and explanations on earnings per share can be found in the notes to the interim consolidated financial statements. Additional Volkswagen share data, plus corporate news, reports and presentations can be downloaded from our website at www.volkswagenag.com/ir.

VOLKSWAGEN KEY SHARE FIGURES AND MARKET INDICES FROM JANUARY 1 TO SEPTEMBER 30, 2017

		High	Low	Closing
Ordinary share	Price (€)	156.40	128.70	143.25
	Date	Jan. 25	Aug. 10	Sept. 29
Preferred share	Price (€)	153.90	125.35	138.00
	Date	Jan. 25	Aug. 31	Sept. 29
DAX	Price	12,889	11,510	12,829
	Date	June 19	Feb. 6	Sept. 29
ESTX Auto & Parts	Price	571.5	508.08	571.5
	Date	Sept. 29	July 31	Sept. 29

Business Development

GENERAL ECONOMIC DEVELOPMENT

The global economy saw moderate growth in the first nine months of 2017. The average expansion rates of gross domestic product (GDP) in both the industrialized and the emerging markets exceeded the prior-year figures. Energy and commodity prices increased year-on-year, boosting the economies of individual exporting countries that depend on them.

The economy of Western Europe recorded slightly higher growth from January to September 2017 compared with the same period of the previous year. The majority of countries saw their growth rate improve.

In Germany, the continuing optimism among consumers and the strong labor market situation allowed the economy to maintain its robust growth course in the reporting period.

Central Europe saw a considerable rise in economic output compared with the prior-year period. Eastern Europe's economic situation improved on the back of the comparatively higher level of energy prices. Following a prolonged recessionary period in Russia's economy, the turnaround that began at the end of 2016 was maintained in the course of the year. The ongoing conflict between Russia and Ukraine continued to weigh on the economy.

In South Africa, structural deficits and political upheaval meant that the GDP growth rate increased only slightly during the first nine months of 2017.

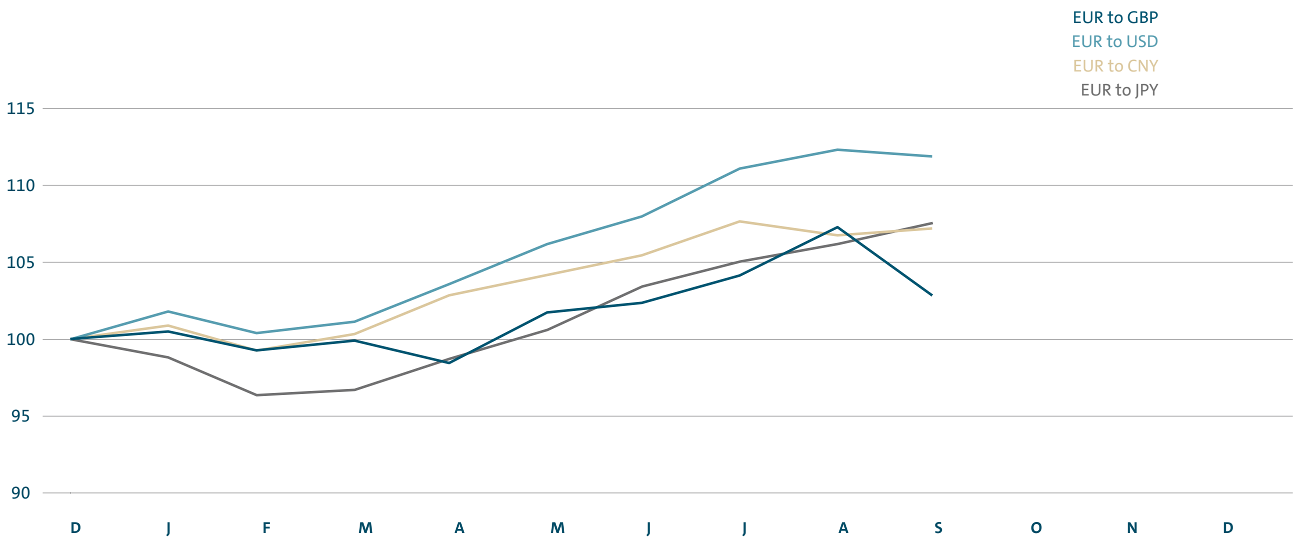
The US economy registered higher growth from January to September 2017 than in the same period of the previous year, with considerable stimulus being provided by private domestic demand. Given the stable labor market situation and the expected inflation trend, the US Federal Reserve continued the monetary policy tightening it had begun at the end of 2015. GDP growth rates in the neighboring countries of Canada and Mexico were also higher year-on-year.

Brazil has left behind the economic downswing, but the situation in South America's largest economy remained tense. Amid sustained high inflation, Argentina's economic situation showed an improvement.

The Chinese economy maintained its high growth momentum in the reporting period. India expanded strongly, outperforming most emerging markets. Meanwhile, reform measures had a dampening effect. Japan registered solid GDP growth.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2016 TO SEPTEMBER 2017

Index based on month-end prices: as of December 31, 2016 = 100



TRENDS IN THE PASSENGER CAR MARKETS

In the first nine months of 2017, global demand for passenger cars was up 3.2% year-on-year. Growth was driven by the Asia-Pacific region, South America, Western Europe and Central and Eastern Europe. However, the number of new cars sold in North America, the Middle East and Africa declined.

In the reporting period, the Western European passenger car market continued its growth trajectory in spite of ongoing political uncertainty. This performance was underpinned by the positive macroeconomic environment. While new registrations in Italy and Spain continued to benefit from high demand for replacement vehicles and considerable growth in demand from commercial customers, growth in the French market was slower by comparison. Due in particular to the change in vehicle taxation as of April 1, 2017, new passenger car registrations declined in the United Kingdom over the last six months and therefore fell short of the record figure seen in the prior-year period.

New passenger car registrations in Germany from January to September 2017 were up on the previous year for the fourth year in a row. Demand from private and also commercial customers was helped in particular by the ongoing robust development of the economy.

The passenger car market in Central and Eastern Europe saw a marked increase year-on-year in the first three quarters of 2017. As in the three preceding years, the majority of EU markets in Central Europe recorded high growth rates. Passenger car sales in Eastern Europe also rose, starting from a very low level. This was primarily attributable to the noticeable recovery of the Russian market in the year to date.

In the reporting period, South Africa's new passenger car registrations were slightly up on the prior-year level after falling for a time. Demand was bolstered particularly by attractive sales incentives and lower interest rates.

In North America, sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) in the first nine months of 2017 remained slightly short of the high prior-year figure, and the negative trend in the USA continued into the second half of the year. High consumer confidence, a favorable labor market and manufacturer incentive programs that continue to be lucrative were unable to stop the downward trend. The trend in demand towards SUV and pickup models, accompanied by a simultaneous decline in the traditional passenger car segments, continued in the reporting period. The Canadian automotive market again recorded growth, exceeding the record figure seen in the prior-year period. Sales in Mexico by contrast fell slightly short of the previous year's market volume.

In South America, new registrations for passenger cars and light commercial vehicles witnessed a marked improvement from the previously low level in the period from January to September 2017. For the first time after four years of declining new vehicle registrations, noticeable growth was registered in Brazil in the reporting period. Brazilian automotive production benefited particularly from an expansion in exports to Argentina, where demand for passenger cars and light commercial vehicles was up sharply on the prior year. This was helped above all by price reductions and attractive financing models from manufacturers.

The Asia-Pacific region recorded by far the highest absolute growth in demand in the first nine months of 2017. After relatively weak performance in the Chinese passenger car market in the first half of 2017, the number of passenger car sales at the end of the reporting period was again up more clearly year-on-year. The main reason for this was the bringing forward of purchases at the end of 2016 in anticipation that the tax rate on vehicles of up to 1.6 l would be raised at the beginning of 2017. In India, too, demand increased again in the second half of the year. In addition to attractive finance offerings, high consumer confidence and a wealth of new models, this was due especially to the goods and services tax introduced on July 1, 2017, which offers consumers partially improved purchasing conditions. The Japanese passenger car market was up perceptibly on the very low prior-year period in the first three quarters of 2017. The main reason for the positive trend was the continuing government support for fuel-efficient, low-emission vehicles and the market success of new models.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

Global demand for light commercial vehicles was down on the previous year in the period from January to September 2017.

In Western Europe, new registrations stabilized and slightly exceeded the prior-year level on the back of the sustained positive economic performance. In the reporting period, demand in Germany was also up slightly year-on-year.

Registrations of light commercial vehicles in Central and Eastern Europe recorded a moderate increase compared with the previous year. The market trend in Russia benefited from the recovery of the ruble and falling inflation, which led to a marked increase in registrations year-on-year in the months from January to September 2017.

In North and South America, the light vehicle market is reported as part of the passenger car market, which includes both passenger cars and light commercial vehicles.

In the Asia-Pacific region, demand for light commercial vehicles declined compared with the previous year. Registration volumes in China, the region's dominant market, were down considerably on the prior-year level. The number of new vehicle registrations in Australia, India, South Korea and Thailand saw a moderate increase compared with the previous year.

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was above the prior-year figure between January and September 2017.

Demand in Western Europe saw a slight increase over the 2016 level. New registrations in Germany, Western Europe's largest market, remained stable on the prior-year figure in the first nine months of 2017. Demand in Italy developed positively, with programs to promote investment pushing up demand significantly.

In Central and Eastern Europe, the positive economic performance led to far higher registration volumes than in the previous year. Demand in Russia showed a substantial improvement, buoyed by the incipient recovery of the economy along with demand for replacement vehicles and declining inflation rates.

The volume of registrations in South America was slightly up on 2016. In Brazil, the region's largest market, demand for trucks decreased significantly on the prior-year period as a result of the continuing political tensions, in an environment marked by signs of a recovery in the economy. Political reforms and stimulus from the agricultural sector resulted in a very sharp increase in registration volumes in Argentina in the first three quarters of 2017.

In the first nine months of 2017, registration volumes for mid-sized and heavy trucks in the US market were noticeably lower than in the previous year.

Demand for buses in the markets that are relevant for the Volkswagen Group was distinctly up on the previous year in the period from January to September 2017.

TRENDS IN THE MARKETS FOR POWER ENGINEERING

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

In the first nine months of 2017, the marine market saw a continuation of the muted order activity. A slight recovery was noticeable in the transport sector, despite existing excess market capacity in the affected tanker and bulk carrier market segments. Demand for cruise ships, passenger ferries, fishing vessels, dredgers and government vessels remained steady. In the offshore sector, the continuing low oil price in conjunction with existing excess capacity curbed investment in offshore oil production. On account of low market volumes, all market segments are continuing to experience much fiercer competitive pressure and a sharp drop in prices as a result.

The market for power generation showed a slight recovery compared with the same period the previous year. Slightly higher demand was registered in all areas of application. Demand for energy solutions remained high, with a strong trend towards greater flexibility and decentralized availability. The shift away from oil-fired power plants towards dual-fuel and gas-fired power plants continued. Particularly on larger projects, order placement is being delayed due to sustained muted economic growth in key developing countries and emerging markets and to persistently difficult financing conditions for customers. In addition, continued strong pressure from competition and pricing is discernible in all projects, and is having a negative impact on the earnings quality of orders.

The market for turbomachinery was stable at a low level compared with the prior-year period. Activity in the construction of turbomachinery is mainly dominated by global investment projects in the oil, gas and processing industry and in power generation. Project volumes in the oil and gas industry remained at a low level despite the slight recovery in the oil price. Demand for products in the processing industry and in power generation has improved somewhat year-on-year. Competition and pressure on prices remain fierce.

The marine and power plant after-sales business for diesel engines performed positively overall and benefited from a continued increase in interest in long-term maintenance contracts. The after-sales market for turbomachinery was largely stable.

DEMAND FOR FINANCIAL SERVICES

Demand for automotive financial services was high again in the third quarter of 2017, due in particular to the expansion of the overall market for passenger cars and low key interest rates in the main currency areas.

Higher vehicle sales particularly in Western and Central Europe gave a further boost to the European market. Financing and leasing were the options preferred by customers, especially for purchases of new vehicles. After-sales products such as inspection contracts, maintenance and spare parts agreements and automotive-related insurance were also in high demand in the period from January to September 2017, as in the previous year.

In Germany, the share of loan-financed or leased new vehicles remained stable at a high level in the reporting period. There was greater demand for after-sales products, and demand for integrated mobility solutions in the business customer segment also continued to rise.

Demand for financing and insurance products in South Africa was steady.

In the US market and in Mexico, automotive financial services remained in high demand in the third quarter of 2017.

The automotive financial services business in Brazil continues to be strongly affected by the political tensions and strained macroeconomic environment. In the third quarter of 2017, the consumer credit business and sales of the country-specific financial services product Consorcio, a lottery-style savings plan, fell below the prior-year level despite growth in the passenger car market as a whole.

Demand for automotive financial services across the Asia-Pacific region was again mixed. In China, the proportion of loan-financed vehicle purchases rose compared with the prior-year period. Despite increasing restrictions on registrations in metropolitan areas, there is considerable potential to acquire additional new customers for automotive-related financial services, particularly in the interior of the country. In Japan, South Korea and Australia, sales of automotive financial services were steady.

Demand for financial services in the commercial vehicles business area also varied from region to region. The growth trend from 2016 continued in China and particularly in Western Europe. In contrast, the truck and bus business in Brazil and the related financial services market continued to come under pressure from the tense economic situation.

VOLKSWAGEN GROUP DELIVERIES

Between January and September 2017, the Volkswagen Group handed over 7,806,672 vehicles to customers worldwide, an increase of 2.6% or 197,405 units on the prior-year period. In September 2017, the Group delivered more than one million vehicles in a single month for the first time. The chart on page 12 shows the trend in deliveries worldwide by month compared with the previous year. Separate details of deliveries of passenger cars and commercial vehicles are provided in the following.

VOLKSWAGEN GROUP DELIVERIES FROM JANUARY 1 TO SEPTEMBER 30[1]

	2017	2016	%
Passenger Cars	7,294,443	7,125,627	+2.4
Commercial Vehicles	512,229	483,640	+5.9
Total	**7,806,672**	**7,609,267**	**+2.6**

1 Deliveries for 2016 have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

PASSENGER CAR DELIVERIES WORLDWIDE

From January to September 2017, global demand for passenger cars from the Volkswagen Group rose to 7,294,443 vehicles, an increase of 2.4% year-on-year. The market as a whole grew at a slightly stronger pace in the same period at +3.2%. The ŠKODA (+3.6%), SEAT (+13.4%), Bentley (+11.5%), Lamborghini (+2.2%) and Porsche (+4.3%) brands reported encouraging growth rates. While the Volkswagen Passenger Cars brand registered a slight improvement overall on the prior-year figure (+2.7%) following a weaker first half, sales of Audi models fell short of the prior-year volume (–2.0%). In the Western Europe, Central and Eastern Europe, and North and South America regions, demand for Volkswagen Group passenger cars was in some cases considerably higher than in the previous year, while deliveries in the Asia-Pacific region were only marginally above the previous year's level.

The table on the next page provides an overview of passenger car deliveries to customers by market in the reporting period. Sales trends in the individual markets are as follows.

Deliveries in Europe/Other markets

In Western Europe, demand for Volkswagen Group vehicles in the reporting period grew by 1.1% to 2,416,952 units, slightly slower than the passenger car market as a whole (+2.8%). Among other factors, this trend was due to the Golf and Polo model change, the fact that customer confidence has not yet been fully restored following the diesel issue and to customer uncertainty generated by the public discussion on driving bans for diesel vehicles. The Tiguan, Audi Q2 and Audi A5 models saw the highest growth rates. In addition, the SEAT Ateca and Porsche Macan were very popular. The new Arteon from Volkswagen Passenger Cars and the new ŠKODA Kodiaq were successfully launched in the market. In Western Europe, the Volkswagen Group's share of the passenger car market was 21.9 (22.2)%.

In the first nine months of 2017, demand for Volkswagen Group passenger cars in Germany was down 2.2% on the prior-year figure. The market as a whole grew by 2.2% in the same period. The Tiguan, Audi Q2, Audi A4 Avant, Audi A5 and SEAT Ibiza models saw the strongest growth in demand. Moreover, the new ŠKODA Kodiaq, the new SEAT Ateca and the Porsche Macan were very popular. Six Group models led the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the up!, Polo, Golf, Tiguan, Touran, and Porsche 911. In the first nine months of 2017, the Golf was again the most popular passenger car in Germany in terms of registrations.

The Volkswagen Group delivered 12.1% more vehicles to customers in the still fast-growing passenger car markets in the Central and Eastern Europe region in the reporting period than a year before. The Czech Republic and Poland continued to see strong growth in demand for Group models, and in Russia our sales figures also continued to rise. Demand for the Golf, Tiguan, ŠKODA Fabia, ŠKODA Rapid and ŠKODA Octavia models was very encouraging. In addition, the new Audi Q2, ŠKODA Kodiaq and SEAT Ateca models were in great demand. The Volkswagen Group's share of the market in this region was 22.3 (22.3)%.

In the slowly growing passenger car market in South Africa, the number of Volkswagen Group vehicles sold in the first three quarters of 2017 was 0.9% higher than in the same period of the previous year. The Polo remained the best-selling Group model in South Africa.

Deliveries in North America

Volkswagen Group deliveries to customers in North America between January and September 2017 were 4.5% higher than the prior-year figure despite a weaker overall passenger car and light commercial vehicle market. The Volkswagen Group's share of the market in this region rose to 4.6 (4.3)%. The Jetta remained the most sought-after Group model in North America.

In the US market, demand for Volkswagen Group vehicles in the reporting period increased by 7.3% compared with the previous year. The market as a whole declined in the same period. Models in the SUV and pickup segments remained in particularly high demand. The Golf Estate, Audi A4, Audi Q5, Audi Q7, Porsche Macan and Porsche Panamera models enjoyed an encouraging rise in demand. The new Atlas SUV was well received by the market.

In Canada, where the overall market is growing, we delivered a substantially higher number of vehicles to customers in the first nine months of 2017 than in the previous year due to a strong surge in demand in the third quarter. Demand for the Golf Estate, Audi A4, Audi Q5, Audi Q7 and Porsche Macan models developed positively.

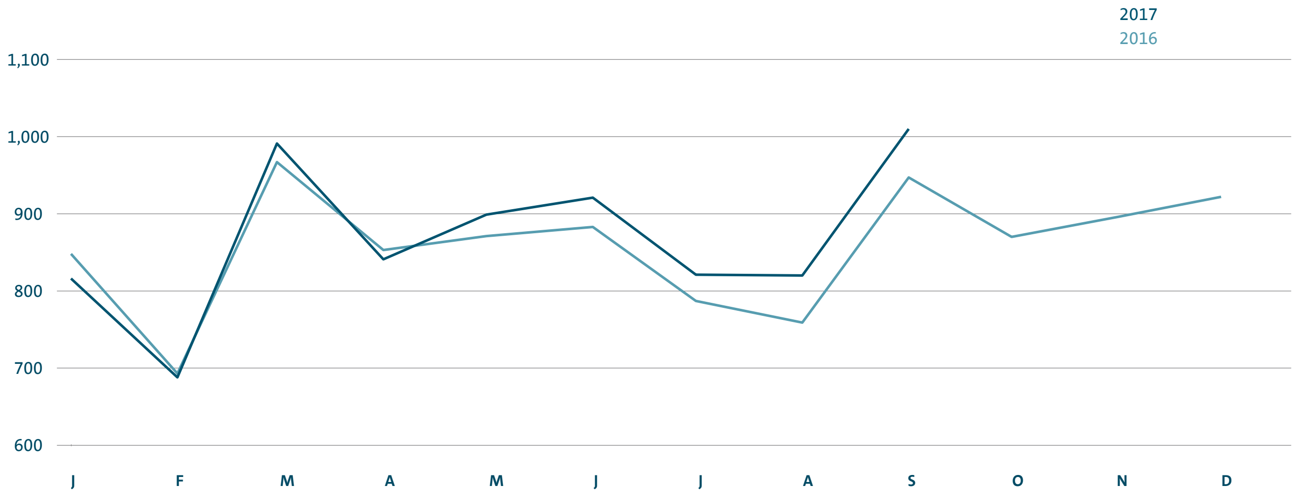
The Mexican market as a whole declined slightly at the end of the reporting period. Demand for Volkswagen Group vehicles there was 6.2% lower than the prior-year figure. The Vento, Jetta, Gol and SEAT Ibiza models were particularly popular.

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

	DELIVERIES (UNITS)		CHANGE
	2017	2016	(%)
Europe/Other markets	**3,148,714**	**3,087,081**	**+2.0**
Western Europe	**2,416,952**	**2,389,821**	**+1.1**
of which: Germany	857,912	877,017	–2.2
United Kingdom	422,143	412,569	+2.3
Spain	207,797	189,780	+9.5
Italy	197,704	180,630	+9.5
France	189,356	191,130	–0.9
Central and Eastern Europe	**489,652**	**436,950**	**+12.1**
of which: Russia	122,771	113,463	+8.2
Czech Republic	109,509	100,966	+8.5
Poland	105,302	90,413	+16.5
Other markets	**242,110**	**260,310**	**–7.0**
of which: Turkey	103,533	116,987	–11.5
South Africa	61,351	60,809	+0.9
North America	**708,785**	**678,245**	**+4.5**
of which: USA	457,035	425,971	+7.3
Mexico	164,581	175,532	–6.2
Canada	87,169	76,742	+13.6
South America	**334,021**	**274,672**	**+21.6**
of which: Brazil	199,826	174,974	+14.2
Argentina	99,353	72,279	+37.5
Asia-Pacific	**3,102,923**	**3,085,629**	**+0.6**
of which: China	2,887,111	2,848,981	+1.3
Japan	63,516	63,882	–0.6
India	54,231	47,471	+14.2
Worldwide	**7,294,443**	**7,125,627**	**+2.4**
Volkswagen Passenger Cars	4,490,927	4,374,774	+2.7
Audi	1,380,778	1,408,828	–2.0
ŠKODA	871,082	840,881	+3.6
SEAT	354,896	312,888	+13.4
Bentley	7,890	7,074	+11.5
Lamborghini	2,930	2,867	+2.2
Porsche	185,898	178,314	+4.3
Bugatti	42	1	x

1 Deliveries for 2016 have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

VOLKSWAGEN GROUP DELIVERIES BY MONTH
Vehicles in thousands



Deliveries in South America

The South American markets for passenger cars and light commercial vehicles continued their upward trend in the third quarter of 2017. From January to September of this year, the Volkswagen Group delivered 21.6% more vehicles to customers there than in the prior year. The Volkswagen Group's share of the market in South America was 11.8 (10.8)%.

The Brazilian market also continued its recovery. In Brazil, the Volkswagen Group delivered 14.2% more vehicles to customers than in the previous year due to a spike in demand in the third quarter. The Gol, Saveiro and Amarok models saw the highest growth.

In Argentina, Group sales between January and September 2017 were up 37.5% year-on-year. The market as a whole grew similarly strongly in the same period. The Gol was the best-selling vehicle in Argentina. The Suran and Amarok models were also in high demand.

Deliveries in the Asia-Pacific region

In the Asia-Pacific region, the number of Volkswagen Group passenger cars sold in the first nine months of 2017 was only marginally above the prior-year figure (+0.6%) amid growth in the market as a whole. This was mainly due to the now successfully concluded negotiations by the Audi brand for the strategic reorientation of the brand's business in China. As a result, the Group's share of the market in this region declined to 11.8 (12.3)%.

The momentum in the Chinese passenger car market increased again during the third quarter. This also benefited the Volkswagen Group and lifted the number of Group models delivered to customers in China by 1.3% compared with the previous year. Demand for the Bora, Tiguan, Magotan and Passat models developed particularly encouragingly. The new SUVs Teramont and ŠKODA Kodiaq were successfully launched in the market.

The rate of growth in the Indian passenger car market picked up in the course of the reporting period. Between January and September 2017, sales of Group models were 14.2% higher than the figure for the prior-year period. In addition to the new Ameo, the ŠKODA Rapid was very popular with customers.

Passenger car deliveries to the Group's customers in Japan in the first nine months of 2017 matched the previous year's level in a growing overall market. The Polo, Golf and Audi A3 models saw the highest demand.

COMMERCIAL VEHICLE DELIVERIES

The Volkswagen Group delivered a total of 512,229 commercial vehicles to customers worldwide in the period from January to September 2017, an increase of 5.9% on the previous year. Sales of trucks rose to 129,985 vehicles (+7.8%). Bus delivery volumes increased by 9.6% to 13,429 units. With 368,815 light commercial vehicles sold, the prior-year figure was exceeded by 5.1%.

As a result of the sustained economic recovery, the Volkswagen Group sold 317,015 units to customers in the Western European markets in the first nine months of 2017, 2.3% more than in the previous year. Of the vehicles delivered, 250,367 were light commercial vehicles, 62,748 were trucks and 3,900 were buses. The Transporter and the Caddy were the most sought-after Group models.

In the Central and Eastern European markets, demand for our commercial vehicle brands rose by 16.1% to 52,548 units; this included 29,012 light commercial vehicles, 22,909 trucks and 627 buses. The Caddy and the Transporter were particularly popular. In Russia, sales were up substantially on the prior-year level at 11,845 units, buoyed by the incipient recovery of the economy along with demand for replacement vehicles and declining inflation rates.

The Volkswagen Group sold 45,108 vehicles in the Other markets, a decrease of 8.6% compared with the previous year; 31,860 were light commercial vehicles, 11,113 were trucks and 2,135 were buses.

Deliveries in North America climbed to 9,948 units, exceeding the previous year's level by 32.3%. In Mexico alone, 7,748 light commercial vehicles, 750 trucks and 1,447 buses were handed over to customers.

In the first nine months of 2017, sales of commercial vehicles in the South American markets increased by 23.0% to 55,723 units. Of the units delivered, 30,642 were light commercial vehicles, 21,204 were trucks and 3,877 were buses. The Group model that witnessed the strongest demand was the Amarok. Delivery volumes in Brazil rose by 23.7% to 25,565 units; this included 8,867 light commercial vehicles, 14,413 trucks and 2,285 buses.

The Volkswagen Group handed over a total of 31,887 commercial vehicles to customers in the Asia-Pacific region, an increase of 21.6%. Of the vehicles sold, 19,186 were light commercial vehicles, 11,258 were trucks and 1,443 were buses. The Transporter and the Amarok were the most popular Group models. China saw the highest growth in sales.

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

	DELIVERIES (UNITS)		CHANGE
	2017	2016	(%)
Europe/Other markets	**414,671**	**404,588**	**+2.5**
Western Europe	317,015	309,974	+2.3
Central and Eastern Europe	52,548	45,275	+16.1
Other markets	45,108	49,339	–8.6
North America	**9,948**	**7,522**	**+32.3**
South America	**55,723**	**45,316**	**+23.0**
of which: Brazil	25,565	20,660	+23.7
Asia-Pacific	**31,887**	**26,214**	**+21.6**
of which: China	7,927	4,939	+60.5
Worldwide	**512,229**	**483,640**	**+5.9**
Volkswagen Commercial Vehicles	367,928	350,783	+4.9
Scania	63,959	58,732	+8.9
MAN	80,342	74,125	+8.4

1 Deliveries for 2016 have been updated to reflect subsequent statistical trends.

DELIVERIES IN THE POWER ENGINEERING SEGMENT

Orders in the Power Engineering segment are usually part of major investment projects. Lead times typically range from just under one year to several years, and partial deliveries as construction progresses are common. Accordingly, there is a time lag between incoming orders and sales revenue from the new construction business.

In the period from January to September 2017, sales revenue in the Power Engineering segment was largely driven by Engines & Marine Systems and Turbomachinery, which together generated more than two-thirds of overall sales revenue.

GROUP FINANCIAL SERVICES

The Financial Services Division combines the Volkswagen Group's dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility offerings. The division comprises Volkswagen Financial Services and the financial services activities of Scania, Porsche and Porsche Holding Salzburg.

Demand for the Financial Services Division's products and services remained strong in the period from January to September 2017. At 5.4 (5.3) million, the number of new financing, leasing, service and insurance contracts signed worldwide was above the previous year's level. The ratio of leased or financed vehicles to Group deliveries (penetration rate) in the Financial Services Division's markets rose to 33.8 (33.4)% in the reporting period. At 18.1 million, the total number of contracts as of September 30, 2017 was 3.9% higher than the 2016 year-end figure.

In the Europe/Other markets region, the number of new contracts signed in the first nine months of 2017 increased by 3.4% to 4.0 million. As of September 30, 2017, the total number of contracts was 13.2 million, up 6.1% on the 2016 year-end figure. The Customer Financing/Leasing area accounted for 6.2 million contracts (+6.3%).

The number of contracts in North America amounted to 2.7 million at the end of the reporting period, down 4.4% compared with December 31, 2016. The Customer Financing/Leasing area recorded 1.7 million contracts (–4.3%). The number of new contracts signed amounted to 647 thousand, a decrease of 11.8% versus the prior-year period.

In South America, 148 (148) thousand new contracts were signed in the first three quarters of 2017. The total number of contracts amounted to 558 thousand at the end of the reporting period, 13.8% fewer than on December 31, 2016. The contracts mainly related to the Customer Financing/Leasing area.

The number of new contracts signed in the Asia-Pacific region rose by 13.1% to 583 thousand. The total number of contracts amounted to 1.7 million on September 30, 2017, up 8.9% on the 2016 year-end figure; the Customer Financing/Leasing area accounted for 1.4 million contracts (+12.4%).

SALES TO THE DEALER ORGANIZATION

In the first nine months of 2017, the Volkswagen Group's unit sales to the dealer organization (including the Chinese joint ventures) rose by 3.4% to 7,912,844 vehicles, in particular on the back of higher demand in China, Europe and South America. Unit sales outside Germany rose by 3.9% in the reporting period, while in the German market they remained at the prior-year level. Vehicles sold in Germany as a proportion of overall sales declined to 12.2 (12.5)%.

PRODUCTION

The Volkswagen Group produced a total of 8,039,052 vehicles in the period from January to September 2017, an increase of 5.2% year-on-year. Production in Germany declined by 3.3% to 1,960,773 units. The proportion of vehicles produced in Germany decreased to 24.4 (26.5)%.

INVENTORIES

Global inventories at Group companies and in the dealer organization were higher on September 30, 2017 than at year-end 2016 and also up on the September 30, 2016 level.

EMPLOYEES

The Volkswagen Group had 610,081 active employees on September 30, 2017. A further 7,478 employees were in the passive phase of their partial retirement. An additional 19,181 young people were in vocational traineeships. At the end of the first nine months of 2017, the Volkswagen Group had a total of 636,740 employees worldwide, up 1.6% on the number as of December 31, 2016. The production-related expansion, the recruitment of specialists within and outside Germany and the expansion of the workforce in the new plants in Mexico, China and Poland were offset by the reduction of around 9,800 employees as a result of the sale of part of the PGA Group SAS. At 286,274, the number of employees in Germany was up 1.7% on year-end 2016. The proportion of employees in Germany was slightly higher than on December 31, 2016 at 45.0 (44.9)%.

Results of Operations, Financial Position and Net Assets

SALE OF THIRD-PARTY-BRAND DEALERSHIPS OF PORSCHE HOLDING SALZBURG

The sale of part of the PGA Group SAS to the Emil Frey Group was executed on June 1, 2017. The sale was in connection with the strategic development of Porsche Holding Salzburg's dealer network and the corresponding focus on dealerships exclusively selling Volkswagen Group brand vehicles. This had a positive effect of €0.8 billion on the Group's net liquidity and, taking into account the disposal of the assets and liabilities, resulted in immaterial income for the Group, which was reported in other operating income.

SALE OF SHARES IN THERE HOLDING

Negotiations on the sale of a part of the shares in There Holding B.V. began in the third quarter of 2017. The carrying amount attributable to the shares in the investment expected to be disposed of is reported under the "assets held for sale" item in the balance sheet.

SPECIAL ITEMS

Special items consist of certain items in the financial statements whose separate disclosure the Board of Management believes can enable a better assessment of our economic performance.

In the period from January to September 2017, there were negative special items in connection with the diesel issue, primarily due to higher expenses attributable to the buyback/retrofit programs for 2.0 l TDI vehicles in North America in an amount of €–2.6 billion. In the prior-year period, special items had totaled €–2.6 billion.

RESULTS OF OPERATIONS OF THE GROUP

In the period from January to September 2017, the Volkswagen Group's sales revenue amounted to €170.9 billion, 6.8% higher than a year earlier. The increase was mainly due to positive volume effects and the good performance of the Financial Services Division. The Volkswagen Group generated 80.3 (79.5)% of its sales revenue outside Germany.

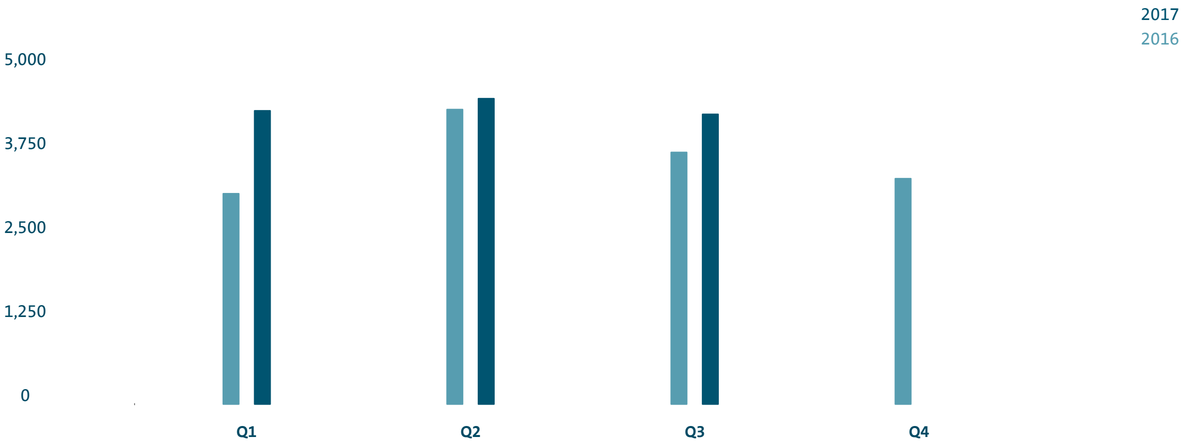
At €32.0 billion, gross profit was up €0.9 billion year-on-year. Adjusted for the special items recognized here in both periods, gross profit was up €2.1 billion on the previous year, at €34.1 billion. The gross margin amounted to 18.7 (19.4)%; excluding special items it was 19.9 (20.0)%.

The Volkswagen Group's operating profit before special items improved by €2.0 billion in the first nine months of 2017 to €13.2 billion, while the operating return on sales before special items increased to 7.7 (7.0)%. The main contributors to this performance were improvements in volumes, the mix and margins, as well as product cost optimization

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

€ million	2017	2016
Passenger Cars		
Sales revenue	117,441	111,044
Gross profit	22,654	22,349
Operating result	7,308	6,359
Operating return on sales (%)	6.2	5.7
Commercial Vehicles		
Sales revenue	25,757	23,278
Gross profit	4,201	3,754
Operating result	1,484	491
Operating return on sales (%)	5.8	2.1
Power Engineering		
Sales revenue	2,355	2,567
Gross profit	412	501
Operating result	–75	–9
Operating return on sales (%)	–3.2	–0.4

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



and positive exchange rate effects. Special items of €–2.6 (–2.6) billion weighed on operating profit. At €10.6 (8.6) billion, the Volkswagen Group's operating profit was significantly higher than in the previous year. The operating return on sales rose to 6.2 (5.4)%.

The financial result was slightly negative (€–84 million), but showed a year-on-year improvement of €0.4 billion. Lower finance costs due to remeasurement and lower expenses from the measurement of derivative financial instruments on the reporting date had a positive influence. The share of profits and losses of equity-accounted investments was down on the prior-year figure. This includes the gain on the remeasurement of the shares in HERE following investment by additional investors, which offset the share of profits and losses of equity-accounted investments in the Chinese joint ventures, which was down on the previous year. In the prior-year period, the income from the sale of the LeasePlan shares had had a positive effect.

The Volkswagen Group's profit before taxes increased by €2.4 billion to €10.6 billion. Compared with the previous year, profit after tax grew by €1.8 billion to €7.7 billion.

Results of operations in the Automotive Division

In the first three quarters of 2017, the Automotive Division generated sales revenue of €145.6 billion, up 6.3% on the prior-year period. Higher vehicle sales in particular had a positive impact. Sales revenue in the Passenger Cars and Commercial Vehicles Business Areas in the first nine months of 2017 was up significantly on the previous year, while the Power Engineering Business Area was down year-on-year. As our Chinese joint ventures are accounted for using the equity method, the Group's business performance in the Chinese passenger car market is primarily reflected in consolidated sales revenue only by deliveries of vehicles and vehicle parts.

Cost of sales increased primarily as a result of higher volumes and a year-on-year increase in special items. Improved product costs and lower research and development costs recognized in profit or loss had a positive impact. Total research and development costs as a percentage of the Automotive Division's sales revenue (research and development ratio or R&D ratio) amounted to 6.8 (7.4)% in the first nine months. There was a slight increase in the ratio of cost of sales to sales revenue.

The gross profit of the Automotive Division rose to €27.3 (26.6) billion.

In the period from January to September 2017, distribution expenses increased slightly compared with the previous year, which had been negatively affected by special items, but the ratio of distribution expenses to sales revenue declined. Administrative expenses and the ratio of these expenses to sales revenue were up on the previous year. At €1.6 (–0.5) billion, net other operating income was significantly higher than in the prior-year period; this was primarily due to exchange rate effects and a decline in negative special items.

The operating profit of the Automotive Division rose by €1.9 billion to €8.7 billion, above all due to improvements in volumes, the mix and margins, as well as to product cost optimization and positive exchange rate effects. The operating return on sales amounted to 6.0 (5.0)%. Negative special items recognized in the operating result amounted to €–2.6 (–2.6) billion; they were attributable to the Passenger Cars Business Area. In the prior-year period, these items had affected the Passenger Cars Business Area (€–2.2 billion) and the Commercial Vehicles Business Area (€–0.5 billion). Excluding the special items, the Automotive Division's operating profit rose to €11.3 (9.5) billion. The operating return on sales before special items was 7.8 (6.9)%. Since the profit recorded by the Chinese joint venture companies is accounted for in the financial result using the equity method, the business performance of our joint ventures is mainly reflected in the Group's operating profit only by deliveries of vehicles and vehicle parts, as well as license revenue.

Results of operations in the Financial Services Division

In the first nine months of 2017, the Financial Services Division generated sales revenue of €25.3 billion. This year-on-year increase of 9.8% was primarily attributable to a rise in business volumes.

Compared with the previous year, gross profit improved by 5.2% to €4.7 billion.

Both distribution and administrative expenses increased in the reporting period. While the ratio of distribution expenses to sales revenue was unchanged, the ratio of administrative expenses to sales revenue declined slightly. In addition to higher volumes, the rise versus the previous year in expenses was attributable in particular to digitalization.

The Financial Services Division generated an operating profit of €1.9 billion, a year-on-year increase of 6.2%. The operating return on sales stood at 7.6 (7.8)%.

FINANCIAL POSITION OF THE GROUP

In the first nine months of 2017, the Volkswagen Group's gross cash flow increased by €2.3 billion year-on-year to €24.9 billion. At €–24.6 (–12.2) billion, the change in working capital was significantly negative. Consequently, cash flows from operating activities decreased by €10.0 billion to €0.3 billion.

The Volkswagen Group's investing activities attributable to operating activities rose to €11.3 (10.1) billion. The "acquisition and disposal of equity investments" item includes in particular the acquisition of shares in Navistar and the sale of part of the PGA Group in the period under review, while the previous year had primarily been influenced by a cash inflow from the sale of the shares in LeasePlan.

Cash inflows from financing activities amounted to €11.9 (8.1) billion. The dual-tranche hybrid notes (€3.5 billion) successfully placed in June 2017 increased net liquidity; this was offset by the dividend paid to the shareholders of Volkswagen AG (€1.0 billion).

At the end of the third quarter of 2017, the Volkswagen Group's cash and cash equivalents reported in the cash flow statement amounted to €21.0 (26.6) billion.

On September 30, 2017, the Group's net liquidity was €–111.7 billion, compared with €–107.9 billion at the end of 2016.

Financial position of the Automotive Division

At €18.1 billion, gross cash flow in the Automotive Division in the period from January to September 2017 was up €2.7 billion on the previous year. This was mainly due to earnings-related factors. The change in working capital was significantly negative, deceasing by €–11.6 billion year-on-year to €–10.1 billion. In the reporting period, high cash outflows primarily resulted, as expected, from vehicle recalls and legal risks relating to the diesel issue. Cash flows from operating activities consequently declined to €8.0 (17.0) billion. The new special items recognized in the third quarter of 2017 had a negative impact on gross cash flow and a positive effect on the change in working capital.

At €11.0 billion, the Automotive Division's investing activities attributable to operating activities were up €1.5 billion compared with the previous year. Investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) decreased by around €0.7 billion year-on-year. In addition, the ratio of capex to sales revenue declined to 4.9 (5.7)% due to the rise in sales revenue. We invested primarily in our production facilities and in models to be launched in 2017 and 2018, as well as in the ecological focus of the model range, drivetrain electrification and modular toolkits. Capitalized development costs were on a level with the previous year. The "acquisition and disposal of equity

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

€ million	2017	2016
Passenger Cars		
Gross cash flow	15,120	13,251
Change in working capital	–8,682	1,759
Cash flows from operating activities	6,438	15,009
Cash flows from investing activities attributable to operating activities	–9,404	–7,957
Net cash flow	–2,966	7,053
Commercial Vehicles		
Gross cash flow	2,819	1,963
Change in working capital	–1,209	–85
Cash flows from operating activities	1,610	1,878
Cash flows from investing activities attributable to operating activities	–1,466	–1,410
Net cash flow	143	468
Power Engineering		
Gross cash flow	163	197
Change in working capital	–171	–86
Cash flows from operating activities	–7	111
Cash flows from investing activities attributable to operating activities	–118	–128
Net cash flow	–125	–17

investments" item includes primarily the acquisition of shares in Navistar and the sale of part of the PGA Group. In the previous year, this item reflected the sale of the LeasePlan shares. The Automotive Division's net cash flow of €–2.9 billion was down €10.5 billion compared with the prior-year period.

In the Automotive Division's financing activities, a capital increase carried out by Volkswagen AG at Volkswagen Financial Services AG at the beginning of 2017 in order to finance the growth in business volumes and comply with regulatory capital requirements resulted in outflows of €1.0 billion. In May 2017, a dividend totaling €1.0 billion was distributed to the shareholders of Volkswagen AG, €0.9 billion more than in the previous year. The successful placement of dual-tranche hybrid notes with an aggregate principal amount of €3.5 billion via Volkswagen International Finance N.V. in June 2017 resulted in a cash inflow. They consist of a €1.5 billion note that carries a coupon of 2.7% and has a first call date after five and a half years, and a €2.0 billion note that carries a coupon of 3.875% and has a first call date after ten years. Both tranches are perpetual and increase equity, net of transaction costs among other factors. €3.5 billion of the hybrid notes was classified as a capital contribution, which increased net liquidity. In addition, the financing activities include the issuance and redemption of bonds and other financial liabilities and totaled €3.3 (1.4) billion.

At the end of September, the Automotive Division's net liquidity was €25.4 billion, a decrease of €1.7 billion compared with December 31, 2016.

Financial position of the Financial Services Division

In the first three quarters of 2017, the Financial Services Division's gross cash flow amounted to €6.8 billion, down 4.9% on the previous year. Due to the higher business volume, the funds tied up in working capital increased to €14.5 (13.8) billion. Cash flows from operating activities amounted to €–7.7 (–6.6) billion.

At €0.3 (0.6) billion, investing activities attributable to operating activities were down on the prior-year figure, which had included the acquisition of an interest in the ride-hailing service Gett.

The Financial Services Division recorded a cash inflow of €1.0 billion in its financing activities in the reporting period as a result of a capital increase implemented by Volkswagen AG to finance expected business growth and to comply with stricter regulatory capital requirements. Cash inflows from financing activities amounted to €8.7 (6.7) billion overall.

At the end of the first three quarters of 2017, the Financial Services Division's negative net liquidity, which is common in the industry, stood at €–137.1 billion, compared with €–135.1 billion at the end of December 2016.

CONSOLIDATED BALANCE SHEET STRUCTURE

On September 30, 2017, the Volkswagen Group's total assets amounted to €417.5 billion, 1.9% more than at the end of the previous year. The increase was countered by exchange rate effects. The Volkswagen Group's equity rose to €105.8 (92.9) billion. The equity ratio rose to 25.4 (22.7)%.

The sale of part of the PGA Group led to the disposal of assets in the amount of €2.5 billion and of liabilities in the amount of €2.1 billion.

Due to the negotiations on the sale of part of the shares in There Holding B.V., the expected carrying amount of the shares to be disposed of is reported in the balance sheet under "assets held for sale" (€0.1 billion).

Automotive Division balance sheet structure

At the end of September 2017, the Automotive Division's intangible assets were up, while property, plant and equipment was down on the respective figure for December 31, 2016. As a result of the sale of part of the PGA Group, lease assets were down compared with the end of 2016. The equity-

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

€ million	Sep. 30, 2017	Dec. 31, 2016
Passenger Cars		
Noncurrent assets	107,128	109,918
Current assets	66,130	61,600
Total assets	**173,258**	**171,518**
Equity	65,361	54,789
Noncurrent liabilities	49,886	56,703
Current liabilities	58,011	60,026
Commercial Vehicles		
Noncurrent assets	26,209	26,206
Current assets	17,512	16,197
Total assets	**43,720**	**42,403**
Equity	12,068	11,185
Noncurrent liabilities	13,830	12,531
Current liabilities	17,822	18,687
Power Engineering		
Noncurrent assets	2,706	2,879
Current assets	3,156	3,285
Total assets	**5,862**	**6,165**
Equity	3,021	3,157
Noncurrent liabilities	655	748
Current liabilities	2,186	2,260

accounted investments were lower than at the end of December 2016. The positive business results of the Chinese joint ventures, the acquisition of the shares in Navistar and the remeasurement of the shares in HERE were unable to offset the dividend payments resolved by the Chinese joint ventures included in equity-accounted investments. Noncurrent assets declined by 2.1% in total.

Current assets rose by 7.0%; the inventories included in current assets increased for production-related reasons and as a consequence of vehicle recalls in connection with the diesel issue. Receivables increased significantly. At €15.6 billion, cash and cash equivalents in the Automotive Division at the end of the nine-month period were €1.1 billion higher than on December 31, 2016, while securities declined by virtually the same amount.

At €80.5 billion, the Automotive Division's equity exceeded the figure at December 31, 2016 by 16.4%. Good earnings growth, effects from the measurement of derivatives recognized outside profit or loss, the hybrid bond issued in June 2017 and lower actuarial losses from the measurement of pension provisions had a positive effect. Currency translation effects and the dividend paid to the shareholders of Volkswagen AG reduced the Automotive Division's equity. The noncontrolling interests are mainly attributable to RENK AG and AUDI AG. As these were lower overall than the noncontrolling interests attributable to the Financial Services Division, the figure for the Automotive Division, where the deduction was recognized, was negative.

Noncurrent liabilities were down on the figure at the end of 2016, amounting to €64.4 (70.0) billion. The noncurrent financial liabilities included in this item decreased. There was a decline in pension provisions due to an increase in the interest rate. Noncurrent other liabilities were down compared with December 31, 2016 as a result of the positive effects from the measurement of derivatives.

At the end of the third quarter of 2017, current liabilities had decreased by 3.6%. The other provisions contained in this item declined significantly due to outflows in connection with the diesel issue. Reclassifications from noncurrent to current liabilities due to shorter remaining maturities were among the factors that led to an increase in current financial liabilities to €2.2 (–1.0) billion. The figures for the Automotive Division also contain the elimination of intragroup transactions between the Automotive and Financial Services divisions. As the current financial liabilities for the primary Automotive Division were lower than the loans granted to the Financial Services Division in the previous year, a negative amount was disclosed for the prior-year period. The item "put options and compensation rights granted to noncontrolling interest shareholders" primarily comprises the liability for the obligation to acquire the shares held by the remaining free float shareholders of MAN.

At €222.8 billion as of September 30, 2017, the Automotive Division's total assets were 1.3% higher than at the end of the previous fiscal year.

Financial Services Division balance sheet structure

The Financial Services Division total assets amounted to €194.6 billion on September 30, 2017, up 2.6% compared with the end of 2016.

Noncurrent financial services receivables rose due to the positive business performance. Noncurrent assets rose by 2.5% overall.

Current assets were up 2.9% year-on-year, primarily as a result of a volume-induced rise in receivables.

On September 30, 2017, the Financial Services Division accounted for around 46.6 (46.3)% of the Volkswagen Group's assets.

Equity in the Financial Services Division amounted to €25.4 billion at the end of the reporting period, 6.8% more than as of December 31, 2016. Equity was pushed up by earnings growth and by the capital increase implemented by Volkswagen AG at the beginning of the year to finance the growth in business and to meet regulatory capital requirements. The equity ratio rose to 13.0 (12.5)%.

Higher noncurrent financial liabilities to refinance the business volume led to a total increase of 20.2% in noncurrent liabilities compared with December 31, 2016.

Current liabilities declined by 11.0%, while the current financial liabilities contained in this item were significantly lower.

At €31.5 (33.3) billion, deposits from direct banking business as of September 30, 2017 were lower than at the end of 2016.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

We have raised our forecast for the sales revenue trend for the Group, for the Passenger Cars and Commercial Vehicles Business Areas as well as for the Financial Services Division. Furthermore, we have raised the profit forecast for the Group before special items and the Passenger Cars Business Area before special items, for the Commercial Vehicles Business Area as well as for the Financial Services Division. We have slightly reduced the profit forecast for the Passenger Cars Business Area including special items. The Outlook for fiscal year 2017 can be found on page 24.

On March 10, 2017, Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates entered into a settlement agreement resolving the environmental claims of ten states – Connecticut, Delaware, Maine, Massachusetts, New York, Oregon, Pennsylvania, Rhode Island, Vermont and Washington – for an amount of USD 157 million.

On March 24, 2017, the United States filed a motion for entry of the second partial consent decree, which had been agreed to between Volkswagen and the Department of Justice (DOJ), the US Environmental Protection Agency (EPA), the US environmental authority of California – the California Air Resources Board (CARB) – and the California Attorney General on December 20, 2016 that resolved claims for injunctive relief under the US Clean Air Act and California environmental, consumer protection and false advertising laws related to the 3.0 l TDI vehicles. The federal court in the multidistrict litigation in California approved the second partial consent decree on May 17, 2017. Also on May 17, 2017, the court granted final approval of the 3.0 l TDI California Second Partial Consent Decree, the second 3.0 l TDI Partial Stipulated Order with the US Federal Trade Commission (FTC) and the class action settlement reached with private plaintiffs related to 3.0 l TDI vehicles.

On April 13, 2017, the federal court in the multidistrict litigation in California approved the third partial consent decree, which Volkswagen had agreed to with the DOJ and EPA on January 11, 2017 that resolved claims for civil penalties and injunctive relief under the Clean Air Act related to the 2.0 l and 3.0 l TDI vehicles. Various cases filed against Volkswagen AG and its affiliates remain pending before the federal court in the multidistrict litigation in California, including class actions brought by competitor dealerships (i.e. non-Volkswagen car dealerships) and Volkswagen salespersons working at franchise dealerships, as well as purchasers of certain Volkswagen bonds and American Depositary Receipts (ADRs). Moreover, certain members of the consumer and dealer classes have opted out of the settlements in the California multidistrict litigation and instead filed their own lawsuits, which are pending in the California multidistrict litigation and various state courts in the United States.

On April 21, 2017, the federal court in Michigan accepted Volkswagen AG's agreement to plead guilty on January 11, 2017 and to pay a USD 2.8 billion criminal penalty, and imposed a sentence of three years' probation.

Also on April 21, 2017, Canadian courts approved the settlement agreement entered into between consumers and Volkswagen AG and other Canadian and US Volkswagen Group companies relating to 2.0 l diesel vehicles.

In connection with the diesel issue, the public prosecutor's office of Munich II initiated at first a criminal investigation against persons unknown in March 2017 and now against several suspects on suspicion of fraud and false advertising in connection with V6 3.0 l TDI vehicles. In July, misdemeanor proceedings against AUDI AG were filed in connection with the diesel issue. The investigations are still at an early stage and further progress remains to be seen.

In June 2017, Larry Thompson was named as an Independent Compliance Monitor and an Independent Compliance Auditor. Together with his team, he will be active for the period of three years pursuant to the criminal plea agreement and the third partial consent decree. Mr. Thompson (the "Monitor") has significant experience in both public and private sectors, having served inter alia as a Deputy Attorney General; a United States Attorney for the Northern District of Georgia; and as Executive Vice President and General Counsel for Pepsi-Co. Volkswagen AG and relevant related entities are working closely with the Monitor and his team to support them as they execute their mandates.

On April 19, 2017, a putative class action was filed against AUDI AG and certain affiliates alleging that defendants concealed the existence of "defeat devices" in Audi brand vehicles with automatic gearboxes. There are now 14 such putative class actions pending in the California multidistrict litigation. On October 12, 2017, plaintiffs filed a consolidated class action complaint. The defendants' motion to dismiss is due on December 11, 2017.

In addition, five "mass actions" were filed in the California multidistrict litigation on behalf of approximately 500 individual plaintiffs alleging similar claims with respect to the existence of "defeat devices" in Audi brand vehicles with automatic gearboxes. The most recent of the mass action complaints was filed on May 26, 2017. In June 2017, the plaintiffs dismissed these actions without prejudice.

On May 23, 2017, the federal court in the multidistrict litigation in California remanded the consumer and environmental claims of 12 State Attorneys General (Alabama, Illinois, Maryland, Minnesota, Missouri, Montana, New Hampshire, New Mexico, Ohio, Oklahoma, Tennessee and Vermont) to their respective state courts, where future litigation of these claims will proceed.

In June 2017, Volkswagen Group Canada reached an agreement with its Volkswagen-branded franchise dealers to resolve issues related to the diesel issue. The agreement was reached without court process.

On June 28, 2017, the court in the multidistrict litigation in California granted in part and denied in part Volkswagen AG's motion to dismiss plaintiffs' First Amended Consolidated Securities Class Action Complaint, which was filed by certain purchasers of Volkswagen ADRs. On July 19, 2017, this court granted in part and denied in part Volkswagen AG's motion to dismiss the class action complaint filed by purchasers of certain Volkswagen bonds. On August 18, 2017, plaintiffs filed an amended complaint, which Volkswagen AG moved to dismiss on September 23, 2017.

On July 21, 2017, the federal court in the multidistrict litigation in California approved a further California Partial Consent Decree, in which Volkswagen AG and certain affiliates had agreed with the California Attorney General and CARB to pay USD 153.8 million in civil penalties and cost reimbursements. These penalties covered California environmental penalties for both the 2.0 l and 3.0 l TDI vehicles. An agreement in principle had been reached on January 11, 2017.

Also on July 21, 2017, the California federal court granted the motion of the Plaintiffs' Steering Committee seeking USD 125 million in attorneys' fees and costs in connection with the 3.0 l TDI settlement.

On August 31, 2017, the federal court in the multidistrict litigation in California granted Volkswagen AG, Volkswagen Group of America, Inc., AUDI AG, and Audi of America, LLC's motion to dismiss the environmental suit filed by the State of Wyoming on the grounds that the lawsuit was preempted by the US Clean Air Act.

On September 8, 2017, a Canadian court approved the CAD 31.2 million agreement reached by Volkswagen AG and other Canadian and US Volkswagen Group companies to resolve class counsel's legal fees in connection with the 2.0 l diesel class action settlement with Canadian consumers outside of the province of Quebec.

On September 15, 2017, a provincial regulator in Canada, the Ontario Ministry of the Environment and Climate Change, charged Volkswagen AG under the province's environmental statute with one count alleging that it caused or permitted the operation of 2.0 l diesel vehicles that did not comply with prescribed emission standards. A court appearance is scheduled for November 15, 2017.

From July through September 2017, plaintiffs filed numerous complaints in various jurisdictions on behalf of putative classes of purchasers of German luxury vehicles against several automobile manufacturers, including Volkswagen AG and its related entities. These complaints assert claims under the US Sherman Antitrust Act, the Racketeer Influenced and Corrupt Organizations Act, state unfair competition and consumer protection statutes, and common law unjust enrichment. The complaints allege that since the 1990s, defendants engaged in a conspiracy to unlawfully increase the prices of German luxury vehicles by agreeing to share commercially sensitive information and to reach unlawful agreements regarding technology, costs, and suppliers. Moreover, the plaintiffs allege that the defendants agreed to limit the size of AdBlue tanks to ensure that US emissions regulators did not scrutinize the emissions control systems in defendants' vehicles, and that such agreement for Volkswagen was the impetus for the creation of the defeat device. On September 28, 2017, a hearing before the Judicial Panel on Multidistrict Litigation (JPML) was held, and on October 4, 2017 the JPML issued its decision consolidating and transferring these cases to Judge Breyer in the Northern District of California.

In September 2017, a court of first instance in Brazil ruled against Volkswagen do Brasil in a product-related class action regarding the diesel issue. The decision is neither final nor enforceable. Volkswagen do Brasil will appeal against the decision. Volkswagen currently assumes that in the final instance, a defense against this complaint is, for the most part, likely to be successful.

In Germany, the number of individual lawsuits filed by customers in connection with the diesel issue increased from 1,300 to 4,600.

On July 21, 2017, AUDI AG offered a software-based retrofit program for up to 850,000 vehicles with V6 and V8 TDI engines meeting the Euro 5 and Euro 6 emission standards in Europe and other markets except the USA and Canada. The measure will mainly serve to further improve the vehicles' emissions in real driving conditions beyond the current legal requirements. Customers will not be charged for the new software. The full package is also offered for certain Porsche and Volkswagen models and comprises voluntary and compulsory measures that have already been reported to the authorities and partially considered within their decisions. For months, Audi has been systematically checking the emissions of engine-gearbox combinations, working closely with the authorities, in particular the German Federal Ministry of Transport and the German Federal Motor Transport Authority (KBA). Audi currently assumes that the overall cost of the software-based retrofit program including the scope related to recalls will be manageable and has recognized provisions in this respect. If the investigations by Audi and the discussions with the KBA should reveal that further measures are necessary, Audi will swiftly implement the required solutions in the interest of its customers as part of the retrofit program. The voluntary tests have already reached an advanced stage, but have not yet been completed. In addition, Audi is responding to requests from the US authorities for information regarding automatic gearboxes in certain vehicles. Further field measures with financial consequences can therefore not be ruled out completely at this time.

In Austria, the Supreme Court ruled in a final judgment on July 7, 2017, that the investor lawsuits against Volkswagen do not fall within the jurisdiction of the Austrian courts. Volkswagen expects this decision to result in the rejection or withdrawal of all investor lawsuits currently pending in Austria.

Worldwide (excluding USA and Canada), investor lawsuits, judicial applications for dunning procedures and conciliation proceedings, and claims under section 10(2) of the Kapitalanleger-Musterverfahrensgesetz (KapMuG – German Capital Markets Model Case Act) are currently pending against Volkswagen in connection with the diesel issue, with the claims totaling approximately €9 billion.

Oral hearings in the Capital Markets Model Case Proceedings concerning the acquisition by Porsche Automobil Holding SE of preferred shares in Volkswagen AG in 2008 began at the Celle Higher Regional Court on October 12, 2017. The competent senate of the Celle Higher Regional Court indicated at the first hearing that, given the lack of substantiated submissions, it does not currently believe that Volkswagen AG had knowledge of the relevant circumstances or that any existing knowledge can be attributed on legal grounds to the “dual mandate holders” on the Volkswagen AG Supervisory Board. The legal counsels of the plaintiff in the Model Case Proceedings and the joined party Elliott subsequently submitted a motion to disqualify the judges on bias. Through a press release dated October 24, 2017, the higher regional court in Celle announced its decision to reject the motion to recuse judges on the grounds of bias. Volkswagen sees the statements of the court’s senate as confirmation that the claims made against the company have absolutely no basis.

In 2011, the European Commission conducted searches at European truck manufacturers on suspicion of an unlawful exchange of information during the period 1997–2011 and issued a statement of objections to MAN, Scania and the other truck manufacturers concerned in November 2014.

With its settlement decision in July 2016, the European Commission fined five European truck manufacturers. MAN’s fine was waived in full as the company had informed the EU Commission about the irregularities as a key witness.

In September 2017, the European Commission then fined Scania €0.88 billion. Scania plans to appeal to the European Court in Luxembourg and use all means at its disposal to defend itself. Scania had already recognized a provision of €0.4 billion in 2016.

Within the scope of the European Commission's ongoing antitrust investigations regarding German automakers, authorities examined documents in the offices of Volkswagen AG in Wolfsburg and AUDI AG in Ingolstadt as part of an announced review. The Volkswagen Group and the Group brands concerned have been cooperating fully and for a long time with the European Commission and have submitted a corresponding application. It is currently unclear whether the European Commission will instigate formal proceedings.

In addition, a few national and international authorities have initiated antitrust investigations. Volkswagen is cooperating closely with the responsible authorities in these investigations. An assessment of the underlying situation is not possible at this early stage.

Beyond this, there were no significant changes in the reporting period compared with the disclosures on the Volkswagen Group’s expected development in fiscal year 2017 in the “Report on Expected Developments” and “Report on Risks and Opportunities” chapters – including the “Risks from the diesel issue” and “Litigation/Diesel issue” sections and the underlying description of the issues in the chapter entitled “Diesel Issue” – of the combined management report in the 2016 Annual Report or in publications released by the reporting date concerning the diesel issue and other possible proceedings, as well as the investigations and interviews in connection with the diesel issue.

Outlook

The Volkswagen Group's Board of Management expects the global economy to record slightly higher growth in 2017 than in the previous year. We believe risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects will continue to be hurt by geopolitical tensions and conflicts. We expect the economic upturn to continue in the large majority of industrialized nations, with stable rates of expansion overall. Most emerging markets will probably see faster growth than in the previous year. We expect the strongest rates of expansion in Asia's emerging economies.

We expect trends in the passenger car markets in the individual regions to be mixed in 2017. Overall, growth in global demand for new vehicles will probably be slower than in 2016. We anticipate that sales volume in Western Europe and the German passenger car market will be slightly higher than in the previous year. In the Central and Eastern European markets, demand for passenger cars should exceed the weak prior-year figure. We expect that the market volume for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America in 2017 will be a little lower than the prior-year figure. On the South American market for passenger cars and light commercial vehicles, overall demand is expected to rise significantly compared with the previous year. The passenger car markets in the Asia-Pacific region look set to continue their growth trajectory at a slightly weaker pace.

We expect trends in the markets for light commercial vehicles in the individual regions to be mixed again in 2017. Overall, we envisage a slight increase in demand.

In the markets for mid-sized and heavy trucks that are relevant for the Volkswagen Group and in the relevant markets for buses, new registrations in 2017 are set to rise moderately above the prior-year level.

We believe that automotive financial services will continue to be very important for vehicle sales worldwide in 2017.

The Volkswagen Group is well positioned to deal with the mixed developments in automotive markets around the world. Our broad, selectively expanded product range featuring the latest generation of engines as well as a variety of alternative drives puts us in a good position globally compared with our competitors. The Group's further strengths include in particular its unique brand portfolio, its steadily growing presence in all major world markets and its wide selection of financial services. Our range of models covers almost all key segments, with offerings from small cars to super sports cars in the passenger car segment, and from pickups to heavy trucks and buses in the commercial vehicles segment, as well as motorcycles. The Volkswagen Group brands will further optimize their vehicle and drivetrain portfolio in 2017 to concentrate on the most attractive and fastest-growing market segments.

Our goal is to offer all customers the mobility and innovations they need, sustainably strengthening our competitive position in the process.

We expect that deliveries to customers of the Volkswagen Group in 2017 will moderately exceed the prior-year volume amid persistently challenging market conditions.

Challenges will arise particularly from the economic situation, intense competition in the market, exchange rate volatility and the diesel issue.

We expect the sales revenues of the Volkswagen Group and of the Passenger Cars Business Area and Commercial Vehicles Business Area to grow by more than 4% year-on-year in 2017. In terms of the Group's operating profit before special items, we estimate that the operating return on sales in 2017 will moderately exceed the original forecast range of between 6.0% and 7.0%. Also in the Passenger Cars Business Area, we expect to see an operating return on sales before special items moderately above the original target range of 6.5% – 7.5%. For the Commercial Vehicles Business Area, we anticipate an operating return on sales moderately above the initially envisaged range of between 3.0% and 5.0%. In the Power Engineering Business Area, we expect a significant year-on-year decline in sales revenue but also a lower operating loss. For the Financial Services Division, we are forecasting noticeably higher sales revenue and operating profit than in the previous year.

After deduction of special items, we anticipate an operating return on sales that is at the lower end of the expected target range for the Group and marginally below the anticipated corridor for the Passenger Cars Business Area.

Brands and Business Fields

SALES REVENUE AND OPERATING PROFIT BY BRAND AND BUSINESS FIELD

The Volkswagen Group generated sales revenue of €170.9 (159.9) billion between January and September 2017. Operating profit before special items improved by €2.0 billion to €13.2 billion. In the reporting period, special items totaling €–2.6 (–2.6) billion had to be accounted for.

When realigning our Group structures, we have reclassified companies from the Volkswagen Passenger Cars brand to the Group starting in 2017. This will allow us to increase transparency and comparability. Along with cross-brand logistics and other services, importers that also distribute vehicles from other Group brands will be separated out from the Volkswagen Passenger Cars brand. These will be disclosed in the line "Other" and will continue to be presented in the Passenger Cars Business Area. For the Volkswagen Passenger Cars brand, the reclassifications lead to reductions in unit sales, sales revenue and operating profit. Unit sales by the Volkswagen Passenger Cars brand amounted to 2.6 (3.2) million vehicles in the reporting period. This figure includes 2.3 (2.3) million Volkswagen models. The Polo, Golf, Passat and Tiguan models were in high demand. As a result of the reclassification of companies, sales revenues were down 24.3% on the prior-year period at €58.9 billion. Operating profit before special items increased to €2.5 (1.2) billion. In addition to volume-, mix- and margin-related factors, exchange rate effects and optimization of costs had a positive impact. The diesel issue gave rise to special items of €–2.6 (previous year's total –1.3) billion.

The Audi brand sold 1.1 (1.2) million vehicles worldwide in the first nine months of 2017. Our Chinese joint venture FAW-Volkswagen sold a further 412 (411) thousand Audi vehicles. The Q2 and A5 models proved particularly popular with customers. At €44.2 (44.0) billion, sales revenue remained at the prior-year level. At €3.9 (3.9) billion, operating profit (previous year's figure excludes special items) matched the 2016 figure. Improved price positioning, exchange rate effects as well as optimization of costs had a positive impact. This was offset by lower volumes and higher depreciation and amortization charges connected with the expansion of the international model and technology portfolio as well as international production structures. The financial key performance indicators for the Audi brand also include the Lamborghini and Ducati brands. Ducati sold 46,774 (47,125) motorcycles in the reporting period.

Unit sales by the ŠKODA brand increased to 700 (606) thousand vehicles in the first three quarters of 2017. Demand grew for the Fabia, Octavia Combi and Superb models. The new Kodiaq met with a very positive reception in the market and had a major part in boosting unit sales. At €12.3 billion, sales revenue was 22.0% higher than in the previous year. The rise in volume along with mix and exchange rate effects more than compensated for increased costs. Operating profit improved by 28.3% to €1.2 billion.

The SEAT brand sold 436 thousand vehicles in the first nine months of this year (+9.1%). This figure includes the Q3 manufactured for Audi. The Ibiza and Leon models continued to enjoy great popularity. In particular the new Ateca contributed considerably to the rise in unit sales. Sales revenue increased by 11.0% year-on-year to €7.3 billion. At €154 (137) million, the operating profit was up 12.3% on the prior-year period. Negative effects from cost increases were compensated for by the higher volume, positive mix effects and improved margins.

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

The Bentley brand's unit sales amounted to 7,498 (7,825) vehicles in the period from January to September 2017. Sales revenue amounted to €1.3 (1.4) billion. Operating profit declined to €31 (54) million: negative volume-, price- and mix-related effects offset positive exchange rate effects and lower expenses from the development of the model portfolio.

Starting January 1, 2017, Porsche's financial services business is reported as part of Volkswagen Financial Services. Porsche Automotive sold 180 (177) thousand vehicles worldwide in the reporting period. Above all, the new Panamera saw marked sales growth. Sales revenue increased to €15.7 (15.3) billion. The operating profit of Porsche Automotive rose to €2.9 (2.8) billion; the increase resulted particularly from higher volumes.

Volkswagen Commercial Vehicles sold 371 (342) thousand vehicles worldwide in the first nine months of 2017. Above alle the Multivan/Transporter and Caddy were in high demand. Sales revenue improved by 10.9% to €8.9 billion. Despite higher costs resulting from expansion of the production network, operating profit climbed 78.0% to €698 million due to margin, volume and exchange rate effects as well as to product cost optimization.

The Scania brand lifted its unit sales in the first three quarters of 2017 to 65 (60) thousand vehicles. Sales revenue grew to €9.3 (8.3) billion. Operating profit (previous year's figure excludes special items) rose by €145 million to €947 million. This was attributable to higher vehicle sales and the enhanced service business.

At 80 thousand units, sales of MAN Commercial Vehicles in the reporting period were up 8.4% year-on-year. Sales revenue increased to €8.0 (7.2) billion. Operating profit (previous year's figure excludes special items) climbed to €269 (204) million due to volume and margin effects.

Sales revenue at MAN Power Engineering from January to September 2017 amounted to €2.4 (2.6) billion. As a result, the operating profit decreased to €107 (176) million.

Operating profit at Volkswagen Financial Services (including Porsche Financial Services since January 1, 2017) rose by 14.9% to €1.8 billion in the reporting period. In addition to Porsche Financial Services, the increase resulted, above all, from improved margins and business growth.

KEY FIGURES BY BRAND AND BUSINESS FIELD FROM JANUARY 1 TO SEPTEMBER 30[1]

	VEHICLE SALES		SALES REVENUE		OPERATING RESULT	
Thousand vehicles/€ million	2017	2016	2017	2016	2017	2016
Volkswagen Passenger Cars[2]	2,632	3,234	58,871	77,725	2,504	1,244
Audi	1,147	1,166	44,235	44,017	3,941	3,918
ŠKODA	700	606	12,338	10,113	1,206	940
SEAT	436	400	7,255	6,535	154	137
Bentley	7	8	1,321	1,411	31	54
Porsche Automotive[3]	180	177	15,703	15,291	2,890	2,760
Volkswagen Commercial Vehicles	371	342	8,919	8,045	698	392
Scania[4]	65	60	9,304	8,272	947	802
MAN Commercial Vehicles	80	74	7,970	7,213	269	204
MAN Power Engineering	–	–	2,355	2,567	107	176
VW China[5]	2,917	2,803	–	–	–	–
Other[6]	–623	–1,217	–21,272	–41,592	–1,277	–896
Volkswagen Financial Services[7]	–	–	23,864	20,337	1,763	1,534
Volkswagen Group before special items	**–**	**–**	**–**	**–**	**13,231**	**11,267**
Special items	–	–	–	–	–2,595	–2,620
Volkswagen Group	**7,913**	**7,653**	**170,864**	**159,932**	**10,636**	**8,647**
Automotive Division[8]	7,913	7,653	145,553	136,889	8,717	6,841
of which: Passenger Cars Business Area	7,400	7,178	117,441	111,044	7,308	6,359
Commercial Vehicles Business Area	513	475	25,757	23,278	1,484	491
Power Engineering Business Area	–	–	2,355	2,567	–75	–9
Financial Services Division	–	–	25,311	23,042	1,919	1,806

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 2017 figures take account of the reclassification of companies; prior-year figures were not adjusted.
3 Porsche (Automotive and Financial Services): sales revenue €17,120 (16,470) million, operating profit €3,006 (2,858) million.
4 Including financial services.
5 The sales revenue and operating profits of the joint venture companies in China are not included in the figures for the Group. These Chinese companies are accounted for using the equity method and recorded a proportionate operating profit of €3,305 (3,594) million.
6 Prior year adjusted. In operating profit, 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.
7 Starting January 1, 2017, Porsche's financial services business is reported as part of Volkswagen Financial Services. Prior-year figures were not adjusted.
8 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

UNIT SALES AND SALES REVENUE BY MARKET

At 3.5 (3.5) million vehicles, the Volkswagen Group's unit sales in the Europe/Other markets region in the period from January to September 2017 exceeded the prior-year comparative figure by 1.9%. Sales revenue increased to €107.3 (102.3) billion due, among other factors, to improvements in volumes, while exchange rate effects had a negative impact.

In North America, the Volkswagen Group sold 718 thousand vehicles in the reporting period; this was 1.5% more than in the previous year. Volume and mix effects lifted sales revenue by 11.1% to €28.5 billion.

In the South American markets, the Volkswagen Group's unit sales rose to 384 (312) thousand vehicles. Sales revenue increased to €7.4 (5.8) billion. Developments in volumes and the mix had a positive impact.

In the Asia-Pacific region (including the Chinese joint ventures), we sold a total of 3.3 (3.2) million vehicles in the first nine months of 2017. Sales revenue rose by 5.8% to €27.7 billion; the increase was attributable in particular to a higher import volume as well as an improved components business at our consolidated companies. This figure does not include the sales revenue of our equity-accounted Chinese joint ventures.

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

	VEHICLE SALES		SALES REVENUE	
Thousand vehicles/€ million	2017	2016	2017	2016
Europe/Other markets	3,522	3,457	107,269	102,295
North America	718	708	28,494	25,650
South America	384	312	7,405	5,808
Asia-Pacific[2]	3,288	3,175	27,696	26,179
Volkswagen Group[2]	**7,913**	**7,653**	**170,864**	**159,932**

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 The sales revenue of the joint venture companies in China is not included in the figures for the Group and the Asia-Pacific market.

VOLKSWAGEN FINANCIAL SERVICES

With its innovative products along the automotive value chain, Volkswagen Financial Services supported the Volkswagen Group's unit sales in the reporting period.

Starting January 1, 2017, Porsche's financial services business is reported within Volkswagen Financial Services; prior-year figures were not adjusted.

Volkswagen Bank GmbH became a wholly owned subsidiary of Volkswagen AG on September 1, 2017. Volkswagen Financial Services initiated a corporate restructuring in November 2016, with the aim to combine the credit and deposit business within the European Economic Area (EEA) in Volkswagen Bank GmbH. All other activities, such as the leasing, insurance, service and mobility businesses, as well as the credit business outside Europe, remain with Volkswagen Financial Services AG.

Volkswagen Financial Services is driving the further digitalization of its business and will perform all payment service activities for the Volkswagen Group in the future. Volkswagen Financial Services has established a new, independent company in Luxembourg that will develop, coordinate and expand the global payment activities of Volkswagen Financial Services in order to build up and extend its services – the payment of parking tickets, car sharing, electricity, fuel charges and road tolls – and allow global processing. In addition, Volkswagen Financial Services has acquired the Munich-based start-up ContoWorks GmbH, which provides an integrated platform for payment services.

The main refinancing sources for Volkswagen Financial Services are money and capital market instruments, asset-backed securities (ABS) transactions and customer deposits from the direct banking business.

In the third quarter of 2017, Volkswagen Leasing GmbH placed two bonds with a total volume of €2.25 billion. This is the second euro benchmark issue by Volkswagen Financial Services this year. Volkswagen Leasing GmbH had already issued three public bonds in euros in June.

An international transaction was also successfully placed in the third quarter of 2017: Volkswagen Financial Services Australia Pty Limited, a subsidiary of Volkswagen Financial Services AG, placed two bonds with a total volume of AUD 325 million (around €217 million).

Volkswagen Financial Services successfully placed its seventh Chinese asset-backed securities (ABS) transaction. The securitization transaction Driver China seven, which is secured by vehicle financing contracts from Volkswagen Finance China, has a volume of around CNY 4 billion (approximately €514 million).

Volkswagen Bank GmbH placed the securitization transaction Driver UK six with a volume of around GBP 450 million (around €490 million). The transaction is secured by receivables from Volkswagen Financial Services (UK) Limited.

The number of new financing, leasing, service and insurance contracts signed in the period from January to September 2017 was above the previous year's level at 5.0 (4.9) million. Based on unchanged credit eligibility criteria, the penetration rate, expressed as the ratio of leased or financed vehicles to relevant Group delivery volumes, increased to 33.5 (33.2)%. At 16.9 million, the total number of contracts on September 30, 2017 was higher than at the end of 2016 (+5.0%). The number of contracts in the Customer Financing/Leasing area rose by 5.1% versus December 31, 2016 to 9.4 million contracts. At 7.6 (7.2) million, the number of contracts in the Service/Insurance area exceeded the level seen in the previous year.

As of September 30 of this year, Volkswagen Bank managed around 1.5 (1.5) million deposit accounts.

At the end of the reporting period, Volkswagen Financial Services had a total of 13,902 employees, an increase of 3.7% on December 31, 2016.

Interim Consolidated Financial Statements (Condensed)

Income Statement for the Period January 1 to September 30

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2017	2016	2017	2016	2017	2016
Sales revenue	**170,864**	**159,932**	**145,553**	**136,889**	**25,311**	**23,042**
Cost of sales	–138,887	–128,851	–118,287	–110,285	–20,600	–18,566
Gross profit	**31,977**	**31,080**	**27,266**	**26,604**	**4,710**	**4,476**
Distribution expenses	–16,375	–15,981	–15,341	–15,044	–1,033	–938
Administrative expenses	–6,041	–5,445	–4,794	–4,268	–1,247	–1,177
Other operating income/expense	1,075	–1,007	1,586	–451	–511	–556
Operating profit	**10,636**	**8,647**	**8,717**	**6,841**	**1,919**	**1,806**
Share of profits and losses of equity-accounted investments	2,378	2,627	2,382	2,579	–4	48
Finance costs and Other financial result	–2,462	–3,116	–2,461	–3,043	–1	–72
Financial result	**–84**	**–488**	**–79**	**–465**	**–6**	**–24**
Profit before tax	**10,552**	**8,159**	**8,639**	**6,376**	**1,913**	**1,783**
Income tax expense	–2,817	–2,243	–2,221	–1,707	–596	–536
Profit after tax	**7,735**	**5,915**	**6,418**	**4,669**	**1,317**	**1,247**
of which attributable to						
Noncontrolling interests	5	9	–24	–47	29	56
Volkswagen AG hybrid capital investors	195	168	195	168	–	–
Volkswagen AG shareholders	7,535	5,738	6,247	4,548	1,288	1,191
Basic earnings per ordinary share (€)[2]	**15.01**	**11.42**				
Diluted earnings per ordinary share (€)[2]	**15.01**	**11.42**				
Basic earnings per preferred share (€)[2]	**15.07**	**11.48**				
Diluted earnings per preferred share (€)[2]	**15.07**	**11.48**				

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Explanatory information on earnings per share is presented in the “Earnings per share” section.

Statement of Comprehensive Income for the Period January 1 to September 30

€ million	2017	2016
Profit after tax	**7,735**	**5,915**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	1,940	–8,863
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	–560	2,620
Pension plan remeasurements recognized in other comprehensive income, net of tax	1,380	–6,243
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	19	–1
Items that will not be reclassified to profit or loss	**1,399**	**–6,244**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	–1,951	–945
Transferred to profit or loss	–1	3
Exchange differences on translating foreign operations, before tax	–1,952	–942
Deferred taxes relating to exchange differences on translating foreign operations	–11	0
Exchange differences on translating foreign operations, net of tax	–1,962	–942
Cash flow hedges		
Fair value changes recognized in other comprehensive income	5,498	4,945
Transferred to profit or loss	–246	998
Cash flow hedges, before tax	5,252	5,943
Deferred taxes relating to cash flow hedges	–1,532	–1,720
Cash flow hedges, net of tax	3,720	4,223
Available-for-sale financial assets		
Fair value changes recognized in other comprehensive income	17	67
Transferred to profit or loss	143	68
Available-for-sale financial assets, before tax	160	135
Deferred taxes relating to available-for-sale financial assets	–30	–36
Available-for-sale financial assets, net of tax	130	99
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	–330	–179
Items that may be reclassified subsequently to profit or loss	**1,558**	**3,201**
Other comprehensive income, before tax	5,089	–3,907
Deferred taxes relating to other comprehensive income	–2,132	864
Other comprehensive income, net of tax	**2,957**	**–3,043**
Total comprehensive income	**10,692**	**2,872**
of which attributable to		
Noncontrolling interests	5	7
Volkswagen AG hybrid capital investors	195	168
Volkswagen AG shareholders	10,492	2,697

Income Statement for the Period July 1 to September 30

€ million	VOLKSWAGEN GROUP 2017	VOLKSWAGEN GROUP 2016	DIVISIONS AUTOMOTIVE[1] 2017	DIVISIONS AUTOMOTIVE[1] 2016	DIVISIONS FINANCIAL SERVICES 2017	DIVISIONS FINANCIAL SERVICES 2016
Sales revenue	**55,002**	**51,997**	**46,652**	**44,343**	**8,350**	**7,654**
Cost of sales	–46,269	–42,061	–39,449	–35,996	–6,820	–6,065
Gross profit	**8,733**	**9,935**	**7,203**	**8,347**	**1,530**	**1,589**
Distribution expenses	–5,324	–5,231	–4,968	–4,905	–356	–326
Administrative expenses	–2,000	–1,774	–1,612	–1,380	–388	–395
Other operating income/expense	312	378	443	617	–132	–238
Operating profit	**1,720**	**3,308**	**1,066**	**2,679**	**654**	**629**
Share of profits and losses of equity-accounted investments	742	912	749	899	–6	13
Finance costs and Other financial result	–871	–872	–866	–869	–5	–3
Financial result	**–128**	**40**	**–117**	**30**	**–11**	**10**
Profit before tax	**1,592**	**3,348**	**948**	**2,709**	**643**	**639**
Income tax expense	–452	–1,012	–219	–932	–232	–79
Profit after tax	**1,140**	**2,337**	**729**	**1,777**	**411**	**560**
of which attributable to						
Noncontrolling interests	0	3	–8	–4	8	7
Volkswagen AG hybrid capital investors	79	57	79	57	–	–
Volkswagen AG shareholders	1,061	2,277	658	1,724	403	553
Basic earnings per ordinary share (€)[2]	**2.12**	**4.54**				
Diluted earnings per ordinary share (€)[2]	**2.12**	**4.54**				
Basic earnings per preferred share (€)[2]	**2.12**	**4.54**				
Diluted earnings per preferred share (€)[2]	**2.12**	**4.54**				

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Explanatory information on earnings per share is presented in the “Earnings per share” section.

Statement of Comprehensive Income for the Period July 1 to September 30

€ million	2017	2016
Profit after tax	**1,140**	**2,337**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	–21	–1,351
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	18	401
Pension plan remeasurements recognized in other comprehensive income, net of tax	–4	–950
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	18	0
Items that will not be reclassified to profit or loss	**14**	**–950**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	–646	–216
Transferred to profit or loss	0	3
Exchange differences on translating foreign operations, before tax	–646	–213
Deferred taxes relating to exchange differences on translating foreign operations	0	0
Exchange differences on translating foreign operations, net of tax	–646	–213
Cash flow hedges		
Fair value changes recognized in other comprehensive income	1,719	1,033
Transferred to profit or loss	–469	103
Cash flow hedges, before tax	1,250	1,137
Deferred taxes relating to cash flow hedges	–372	–319
Cash flow hedges, net of tax	878	818
Available-for-sale financial assets		
Fair value changes recognized in other comprehensive income	59	6
Transferred to profit or loss	59	53
Available-for-sale financial assets, before tax	118	59
Deferred taxes relating to available-for-sale financial assets	–26	–16
Available-for-sale financial assets, net of tax	92	43
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	–42	–7
Items that may be reclassified subsequently to profit or loss	**282**	**640**
Other comprehensive income, before tax	677	–376
Deferred taxes relating to other comprehensive income	–381	66
Other comprehensive income, net of tax	**296**	**–310**
Total comprehensive income	**1,436**	**2,027**
of which attributable to		
Noncontrolling interests	0	4
Volkswagen AG hybrid capital investors	79	57
Volkswagen AG shareholders	1,357	1,966

Balance Sheet as of September 30, 2017 and December 31, 2016

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2017	2016	2017	2016	2017	2016
Assets						
Noncurrent assets	**253,881**	**254,010**	**136,043**	**139,003**	**117,839**	**115,007**
Intangible assets	63,571	62,599	63,370	62,372	201	227
Property, plant and equipment	52,608	54,033	49,959	51,415	2,648	2,619
Lease assets	38,387	38,439	2,904	3,385	35,484	35,054
Financial services receivables	70,958	68,402	–6	9	70,964	68,393
Investments, equity-accounted investments and other equity investments, other receivables and financial assets	28,357	30,537	19,815	21,822	8,542	8,715
Current assets	**163,604**	**155,722**	**86,798**	**81,083**	**76,806**	**74,640**
Inventories	42,778	38,978	38,605	34,947	4,174	4,031
Financial services receivables	51,277	49,673	–610	–660	51,887	50,333
Other receivables and financial assets	31,816	30,286	19,471	17,561	12,344	12,726
Marketable securities	16,248	17,520	13,616	14,703	2,633	2,817
Cash, cash equivalents and time deposits	21,395	19,265	15,627	14,532	5,768	4,733
Held for Sale	89	–	89	–	–	–
Total assets	**417,485**	**409,732**	**222,840**	**220,085**	**194,645**	**189,647**
Equity and Liabilities						
Equity	**105,845**	**92,910**	**80,450**	**69,130**	**25,394**	**23,780**
Equity attributable to Volkswagen AG shareholders	94,597	85,122	69,535	61,714	25,061	23,408
Equity attributable to Volkswagen AG hybrid capital investors	11,024	7,567	11,024	7,567	–	–
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	105,621	92,689	80,559	69,281	25,061	23,408
Noncontrolling interests	224	221	–109	–151	333	373
Noncurrent liabilities	**147,669**	**139,306**	**64,371**	**69,982**	**83,298**	**69,324**
Financial liabilities	78,568	66,358	3,900	5,876	74,667	60,483
Provisions for pensions	31,369	33,012	30,846	32,464	523	549
Other liabilities	37,733	39,936	29,625	31,643	8,108	8,293
Current liabilities	**163,971**	**177,515**	**78,019**	**80,973**	**85,952**	**96,542**
Put options and compensation rights granted to noncontrolling interest shareholders	3,784	3,849	3,784	3,849	–	–
Financial liabilities	80,392	88,461	2,163	–1,019	78,230	89,481
Trade payables	23,020	22,794	20,662	20,753	2,357	2,041
Other liabilities	56,775	62,411	51,409	57,391	5,365	5,021
Total equity and liabilities	**417,485**	**409,732**	**222,840**	**220,085**	**194,645**	**189,647**

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

Statement of Changes in Equity

€ million	Subscribed capital	Capital reserves	Retained earnings	OTHER RESERVES Currency translation reserve
Balance at Jan. 1, 2016	**1,283**	**14,551**	**69,039**	**–987**
Profit after tax	–	–	5,738	–
Other comprehensive income, net of tax	–	–	–6,241	–942
Total comprehensive income	**–**	**–**	**–503**	**–942**
Capital increases	–	–	–	–
Dividends payment	–	–	–68	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	–13	–
Balance at Sept. 30, 2016	**1,283**	**14,551**	**68,456**	**–1,930**
Balance at Jan. 1, 2017	**1,283**	**14,551**	**70,446**	**–1,117**
Profit after tax	–	–	7,535	–
Other comprehensive income, net of tax	–	–	1,380	–1,961
Total comprehensive income	**–**	**–**	**8,915**	**–1,961**
Capital increases[1]	–	–	–	–
Dividends payment	–	–	–1,015	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	–2	–
Balance at Sept. 30, 2017	**1,283**	**14,551**	**78,343**	**–3,078**

1 Volkswagen AG recorded an inflow of cash funds amounting to €3,500 million, less a discount of €4 million and transaction costs of €23 million, from the hybrid capital issued in June 2017. Additionally, there were noncash effects from the deferral of taxes amounting to €8 million. The hybrid capital is required to be classified as equity instruments granted.

Cash flow hedges	Available-for-sale financial assets	Equity-accounted investments	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to Volkswagen AG shareholders and hybrid capital investors	Noncontrolling interests	Total equity
–3,912	**–16**	**542**	**7,560**	**88,060**	**210**	**88,270**
–	–	–	168	5,907	9	5,915
4,223	99	–180	–	–3,042	–1	–3,043
4,223	**99**	**–180**	**168**	**2,865**	**7**	**2,872**
–	–	–	–	–	–	–
–	–	–	–291	–359	–5	–364
–	–	–	–	–	–	–
–	–	7	73	66	7	73
311	**83**	**369**	**7,510**	**90,633**	**219**	**90,852**
–457	**–2**	**417**	**7,567**	**92,689**	**221**	**92,910**
–	–	–	195	7,730	5	7,735
3,720	130	–311	–	2,957	0	2,957
3,720	**130**	**–311**	**195**	**10,687**	**5**	**10,692**
–	–	–	3,481	3,481	–	3,481
–	–	–	–291	–1,306	–5	–1,311
–	–	–	–	–	–	–
–	–	0	73	71	2	73
3,263	**129**	**106**	**11,024**	**105,621**	**224**	**105,845**

Cash flow statement for the Period January 1 to September 30

€ million	VOLKSWAGEN GROUP		DIVISIONS AUTOMOTIVE[1]		DIVISIONS FINANCIAL SERVICES	
	2017	2016	2017	2016	2017	2016
Cash and cash equivalents at beginning of period	**18,833**	**20,462**	**14,125**	**15,294**	**4,709**	**5,168**
Profit before tax	10,552	8,159	8,639	6,376	1,913	1,783
Income taxes paid	–2,701	–2,220	–2,545	–2,566	–156	346
Depreciation and amortization expense[2]	16,182	15,100	10,774	10,168	5,408	4,932
Change in pension provisions	278	240	271	234	7	6
Other noncash income/expense and reclassifications[3]	638	1,329	963	1,198	–325	131
Gross cash flow	**24,949**	**22,609**	**18,102**	**15,410**	**6,847**	**7,199**
Change in working capital	**–24,602**	**–12,230**	**–10,062**	**1,588**	**–14,541**	**–13,817**
Change in inventories	–6,246	–3,196	–6,093	–2,632	–153	–564
Change in receivables	–2,119	–3,143	–1,586	–2,833	–533	–310
Change in liabilities	6,630	6,147	5,673	5,305	957	842
Change in other provisions	–7,223	2,639	–7,318	2,503	95	137
Change in lease assets (excluding depreciation)	–8,488	–8,894	–676	–789	–7,812	–8,104
Change in financial services receivables	–7,157	–5,783	–61	34	–7,095	–5,817
Cash flows from operating activities	**346**	**10,379**	**8,040**	**16,998**	**–7,694**	**–6,619**
Cash flows from investing activities attributable to operating activities	**–11,315**	**–10,142**	**–10,988**	**–9,495**	**–328**	**–647**
of which: Investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property	–7,300	–8,039	–7,089	–7,803	–211	–235
capitalized development costs	–4,210	–4,222	–4,210	–4,222	–	–
acquisition and disposal of equity investments	–116	1,860	13	2,294	–129	–434
Net cash flow[4]	***–10,969***	***238***	***–2,948***	***7,504***	***–8,022***	***–7,266***
Change in investments in securities, loans and time deposits	1,872	–1,941	1,414	–1,061	458	–880
Cash flows from investing activities	**–9,443**	**–12,083**	**–9,574**	**–10,556**	**131**	**–1,528**
Cash flows from financing activities	**11,927**	**8,107**	**3,250**	**1,411**	**8,677**	**6,696**
of which: capital contributions/capital redemptions	3,473	–	2,536	–693	937	693
Effect of exchange rate changes on cash and cash equivalents	–675	–220	–596	–167	–79	–53
Net change in cash and cash equivalents	**2,155**	**6,183**	**1,120**	**7,686**	**1,035**	**–1,503**
Cash and cash equivalents at September 30[5]	**20,989**	**26,644**	**15,245**	**22,980**	**5,743**	**3,665**
Securities, loans and time deposits	26,267	25,685	16,261	15,880	10,006	9,805
Gross liquidity	**47,255**	**52,329**	**31,506**	**38,860**	**15,749**	**13,469**
Total third-party borrowings	–158,960	–151,338	–6,063	–7,744	–152,897	–143,593
Net liquidity at September 30[6]	**–111,705**	**–99,009**	**25,443**	**31,115**	**–137,148**	**–130,124**
For information purposes: at Jan. 1	–107,950	–100,530	27,180	24,522	–135,130	–125,052

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Net of impairment reversals.
3 These relate mainly to the fair value measurement of financial instruments, application of the equity method and reclassification of gains/losses on disposal of noncurrent assets and equity investments to investing activities.
4 Net cash flow: cash flows from operating activities, net of cash flows from investing activities attributable to operating activities (investing activities excluding change in investments in securities, loans and time deposits).
5 Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.
6 The total of cash, cash equivalents, securities, loan receivables from related parties and time deposits net of third-party borrowings (noncurrent and current financial liabilities).

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

Notes to the Interim Consolidated Financial Statements

Accounting in accordance with International Financial Reporting Standards (IFRSs)

In accordance with Regulation No. 1606/2002 of the European Parliament and of the Council, Volkswagen AG prepared its consolidated financial statements for 2016 in compliance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. These interim consolidated financial statements for the period ended September 30, 2017 were therefore also prepared in accordance with IAS 34 and are condensed in scope compared with the consolidated financial statements.

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

In addition to the reportable segments, the Automotive and Financial Services divisions are presented in the condensed interim group financial report for explanatory purposes alongside the income statement, balance sheet and cash flow statement for the Volkswagen Group. This supplemental presentation is not required by IFRSs. Eliminations of intragroup transactions between the Automotive and Financial Services divisions are allocated to the Automotive Division.

The accompanying interim consolidated financial statements were reviewed by auditors in accordance with section 37w of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).

Accounting policies

Volkswagen AG has applied all accounting pronouncements adopted by the EU and effective for periods beginning on or after January 1, 2017.

From January 1, 2017, IAS 7 (Statement of Cash Flows) requires entities to make additional disclosures on changes arising from cash flows and noncash changes in financial liabilities arising from financing activities as reported in the statement of cash flows. These disclosures must be made for the first time in the notes to the 2017 annual financial statements.

Since January 1, 2017, the amendments to IAS 12 (Income Taxes) have clarified the recognition of deferred tax assets for unrealized losses in the case of assets carried at fair value.

The IASB amended IFRS 12 (Disclosures of Interests in Other Entities) as part of its 2016 annual improvements project, with effect from January 1, 2017. This clarifies that, as a matter of principle, disclosures in accordance with IFRS 12 must also be made for the entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities even if these are classified as held for sale, held for distribution to owners or as discontinued operations.

The amendments do not materially affect the Volkswagen Group's net assets, financial position and results of operations. Transposition of the amendments outlined into European law has not yet taken place; this is expected for the fourth quarter of 2017.

A discount rate of 2.1% (December 31, 2016: 1.79%) was applied to German pension provisions in the accompanying interim consolidated financial statements. The increase in the discount rate reduced pension provisions and deferred taxes attributable to pension provisions and also reduced the actuarial losses for pension provisions that are recognized in retained earnings.

The income tax expense for the interim consolidated financial statements was calculated on the basis of the average annual tax rate that is expected for the entire fiscal year, in accordance with IAS 34 (Interim Financial Reporting).

In other respects, the same accounting policies and consolidation methods that were used for the 2016 consolidated financial statements are generally applied to the preparation of the interim consolidated financial statements and the measurement of the prior-year comparatives. A detailed description of the policies and methods applied is published in the "Accounting policies" section of the notes to the 2016 consolidated financial statements. In addition, details of the effects of new standards can be found in the "New and amended IFRSs not applied" section. The 2016 consolidated financial statements can also be accessed on the Internet at www.volkswagenag.com/ir.

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. This was followed by further reports on the scope of the diesel issue. Detailed information can be found in the "Key events" section of the 2016 consolidated financial statements.

In the third quarter of fiscal year 2017, additional provisions amounting to €2.6 billion had to be recognized. This is due to an increase of €2.1 billion in provisions for warranties and of €0.5 billion in provisions for legal risks. The main reason for this rise in provisions is that the buyback/retrofit programs for 2.0 l TDI vehicles in North America, which have to be implemented under the settlement deal, are more complex. Continuous monitoring of the program has shown that the scheme is more comprehensive and technically more challenging than expected; this also entails an extension to the program period.

Further information on the litigation in connection with the diesel issue can be found in the "Litigation" section.

Basis of consolidation

In addition to Volkswagen AG, which is domiciled in Wolfsburg and entered in the commercial register at the Braunschweig Local Court under No. HRB 100484, the consolidated financial statements comprise all significant German and non-German subsidiaries, including structured entities, that are controlled directly or indirectly by Volkswagen AG. This is the case if Volkswagen AG obtains power over the potential subsidiaries directly or indirectly from voting rights or similar rights, is exposed, or has rights to, positive or negative variable returns from its involvement with the subsidiaries, and is able to influence those returns.

CONSOLIDATED SUBSIDIARIES

The disposal of part of PGA Group SAS, Paris, France, by POFIN Financial Services Verwaltungs GmbH, Freilassing, to the Emil Frey Group was implemented on June 1, 2017. The sale is in connection with the strategic development of Porsche Holding Salzburg's dealer network and the corresponding focus on dealerships exclusively selling Volkswagen Group brand vehicles.

The transaction encompasses dealerships in Poland, the Netherlands, Belgium and in some cases also in France. This had a positive effect of €0.8 billion on net liquidity and, taking into account the disposal of the assets and liabilities, resulted in an insignificant income amount for the Volkswagen Group, which is reported in other operating income.

Overall, the transaction led to the disposal of assets in the amount of €2.5 billion and liabilities in the amount of €2.1 billion. The assets mainly consist of noncurrent leased assets (€0.6 billion) and inventories (€1.0 billion). The liabilities principally comprise noncurrent and current other liabilities (€0.9 billion) and trade payables (€0.7 billion).

INVESTMENTS IN ASSOCIATES

At the beginning of September 2016, Volkswagen Truck & Bus GmbH, a wholly owned subsidiary of Volkswagen AG, and the US-based commercial vehicle manufacturer Navistar International Corporation, Lisle, USA (Navistar), announced that they had signed an agreement to forge a wide-ranging alliance. The cooperation primarily involves working together on technical components and in procurement. The transaction closed on February 28, 2017. Within the framework of a capital increase, Volkswagen Truck & Bus acquired 16.6% of the shares in Navistar, paying USD 15.76 per share. The purchase price came to €0.3 billion. Due to Volkswagen's representation on the Board of Directors of Navistar and the agreed cooperation, the investment in Navistar is reported as an equity-accounted investment in the consolidated financial statements. The purchase price allocation has not yet been completed. The interest held in Navistar was increased to 16.9% by the end of the third quarter.

Audi, the BMW Group and Daimler AG each hold a 33.3% interest in There Holding B.V., Rijswijk, the Netherlands, which was established in 2015. In December 2016, There Holding B.V. signed contracts for the sale of interests in HERE International B.V., Rijswijk, the Netherlands. A 15% stake was sold to Intel Holdings B.V., Schiphol-Rijk, the Netherlands, and a 10% stake to a consortium consisting of NavInfo Co. Ltd., Beijing, China, Tencent Holdings Ltd., Shenzhen, China, and GIC Private Ltd., Singapore, Singapore. The transaction with Intel Holdings B.V. was completed on January 31, 2017. This resulted in a loss of control within the meaning of IFRS 10 at the There Holding B.V. level. The deconsolidation gave rise to a proportionate effect for Volkswagen of €183 million, which is shown in the result from equity-accounted investments. Since a significant influence continues to exist, HERE International B.V. is included in the financial statement of There Holding B.V. as an associate using the equity method. There is no change in the Volkswagen Group's participating interest in There Holding B.V. as a result of the sales. The completion of the transaction with the consortium had up until now been subject to approvals by the authorities. In the third quarter, a decision was taken not to pursue the transaction any further, because no feasible way had been found during the official review process to obtain the necessary approvals.

Negotiations on the sale of a part of the shares in There Holding B.V. began in the third quarter. The interest in question is reported under assets held for sale. This does not materially affect the Volkswagen Group's net assets, financial position and results of operations.

INTERESTS IN JOINT VENTURES

Through its 50% interest in the joint venture Global Mobility Holding B.V., Amsterdam, the Netherlands (GMH), the Volkswagen Group held a 50% indirect stake in the joint venture's subsidiary, LeasePlan Corporation N.V., Amsterdam, the Netherlands (LeasePlan). GMH's business activity consisted of holding the interest in LeasePlan. LeasePlan is a Dutch financial services group whose core business is leasing and fleet management. GMH's principal place of business is in Amsterdam, the Netherlands.

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

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

Disclosures on the interim consolidated financial statements

1. Sales revenue

STRUCTURE OF GROUP SALES REVENUE

	Q1–3	
€ million	2017	2016
Vehicles[1]	107,327	100,865
Genuine parts	11,739	11,413
Used vehicles and third-party products[1]	10,629	10,509
Engines, powertrains and parts deliveries	8,077	7,084
Power Engineering	2,353	2,565
Motorcycles	483	502
Leasing business	18,440	16,032
Interest and similar income	5,331	4,970
Other sales revenue	6,485	5,992
	170,864	**159,932**

1 Prior-year figures adjusted.

For segment reporting purposes, the sales revenue of the Group is presented by segment and market.

Other sales revenue comprises revenue from workshop services and license revenue, among other things.

To ensure that sales revenue from company vehicles is presented consistently, sales revenue from vehicles was reclassified to sales revenue from used vehicles and third-party products. Prior-year figures have been adjusted accordingly.

2. Cost of sales

Cost of sales includes interest expenses of €1,469 million (previous year: €1,439 million) attributable to the financial services business.

In addition to depreciation and amortization expenses, cost of sales also includes impairment losses on intangible assets, items of property, plant and equipment, and lease assets. The impairment losses identified on the basis of updated impairment tests amount to a total of €730 million (previous year: €804 million). The value in use of Volkswagen Group products is used as the basis for calculating impairment losses. The impairment losses in the current fiscal year and the previous year are primarily a result of the lower value in use of various products.

3. Research and development costs

€ million	Q1–3 2017	Q1–3 2016	%
Total research and development costs	9,844	10,129	–2.8
of which: capitalized development costs	4,210	4,222	–0.3
Capitalization ratio in %	42.8	41.7	
Amortization of capitalized development costs	2,602	2,538	2.5
Research and development costs recognized in profit or loss	**8,236**	**8,445**	**–2.5**

4. Earnings per share

Basic earnings per share are calculated by dividing earnings attributable to Volkswagen AG shareholders by the weighted average number of ordinary and preferred shares outstanding during the reporting period.

Since the basic and diluted number of shares is identical, basic earnings per share also correspond to diluted earnings per share. In accordance with Article 27 of the Articles of Association of Volkswagen AG, preferred shares are entitled to a €0.06 higher dividend than ordinary shares.

		Q3		Q1–3	
		2017	2016	2017	2016
Weighted average number of shares outstanding					
Ordinary shares: basic	million	295.1	295.1	295.1	295.1
diluted	million	295.1	295.1	295.1	295.1
Preferred shares: basic	million	206.2	206.2	206.2	206.2
diluted	million	206.2	206.2	206.2	206.2
Profit after tax	€ million	1,140	2,337	7,735	5,915
Noncontrolling interests	€ million	0	3	5	9
Profit attributable to Volkswagen AG hybrid capital investors	€ million	79	57	195	168
Profit attributable to Volkswagen AG shareholders	€ million	1,061	2,277	7,535	5,738
Earnings per share					
Ordinary shares: basic	€	2.12	4.54	15.01	11.42
diluted	€	2.12	4.54	15.01	11.42
Preferred shares: basic	€	2.12	4.54	15.07	11.48
diluted	€	2.12	4.54	15.07	11.48

5. Noncurrent assets

CHANGES IN SELECTED NONCURRENT ASSETS BETWEEN JANUARY 1 AND SEPTEMBER 30, 2017

€ million	Carrying amount at Jan. 1, 2017	Additions/ Changes in consolidated Group	Disposals/ Other changes	Depreciation and amortization	Carrying amount at Sept. 30, 2017
Intangible assets	62,599	4,457	210	3,274	63,571
Property, plant and equipment	54,033	6,751	1,086	7,091	52,608
Lease assets	38,439	15,123	9,356	5,819	38,387

6. Inventories

€ million	Sept. 30, 2017	Dec. 31, 2016
Raw materials, consumables and supplies	5,048	4,396
Work in progress	3,971	4,408
Finished goods and purchased merchandise	28,293	25,719
Current lease assets	5,312	4,276
Prepayments	155	178
	42,778	**38,978**

There was no requirement to recognize or reverse significant impairment losses on inventories in the reporting period.

7. Current other receivables and financial assets

€ million	Sept. 30, 2017	Dec. 31, 2016
Trade receivables	13,230	12,187
Miscellaneous other receivables and financial assets	18,586	18,099
	31,816	**30,286**

In the period January 1 to September 30, 2017, impairment losses and reversals of impairment losses on noncurrent and current financial assets reduced operating profit by €513 million (previous year: €525 million).

8. Equity

In June 2017, Volkswagen AG placed unsecured subordinated hybrid notes with an aggregate principal amount of €3.5 billion via a subsidiary, Volkswagen International Finance N.V., Amsterdam, the Netherlands (issuer). The perpetual hybrid notes were issued in two tranches and can be called by the issuer. The first call date for the first tranche (€1.5 billion and a coupon of 2.700%) is after 5.5 years, and the first call date for the second tranche (€2.0 billion and a coupon of 3.875%) is after ten years. Under IAS 32, the hybrid notes must be classified in their entirety as equity. The capital raised was recognized in equity, less a discount and transaction costs and net of deferred taxes. The interest payments payable to the noteholders will be recognized directly in equity, net of income taxes.

The subscribed capital is composed of 295,089,818 no-par value ordinary shares and 206,205,445 no-par-value preferred shares, and amounts to €1,283 million (December 2016: €1,283 million).

Volkswagen AG distributed a dividend of €1,015 million in the reporting period (previous year: €68 million). €590 million (previous year: €32 million) of this amount was attributable to ordinary shares and €425 million (previous year: €35 million) to preferred shares.

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

9. Noncurrent financial liabilities

€ million	Sept. 30, 2017	Dec. 31, 2016
Bonds, commercial paper and notes	61,423	51,195
Liabilities to banks	12,721	10,816
Deposit business	2,353	2,759
Other financial liabilities	2,070	1,588
	78,568	**66,358**

10. Current financial liabilities

€ million	Sept. 30, 2017	Dec. 31, 2016
Bonds, commercial paper and notes	37,159	42,004
Liabilities to banks	12,995	14,180
Deposit business	29,114	31,019
Other financial liabilities	1,124	1,257
	80,392	**88,461**

11. Fair value disclosures

The principles and techniques used for fair value measurement remained unchanged year-on-year. Detailed explanations of the measurement principles and techniques can be found in the "Accounting policies" section of the 2016 consolidated financial statements.

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

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

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

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

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

Reconciliation of balance sheet items to classes of financial instruments

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

The fair value of financial instruments measured at amortized cost, such as receivables and liabilities, is calculated by discounting using a market rate of interest for a similar risk and matching maturity. For reasons of materiality, the fair value of current balance sheet items is generally deemed to be their carrying amount. Financial instruments measured at fair value also include shares in partnerships and corporations. There is no active market for these instruments. Since the future cash flows cannot be reliably determined, fair value cannot be determined using measurement models. The shares in these companies are carried at cost.

From the third quarter onward, the forward element is reported under derivative financial instruments within hedge accounting.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2016

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT DEC. 31, 2016
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	8,616	8,616
Other equity investments	187	–	–	–	809	996
Financial services receivables	–	68,402	70,766	–	–	68,402
Other financial assets	251	4,982	5,008	3,023	–	8,256
Current assets						
Trade receivables	–	12,187	12,187	–	–	12,187
Financial services receivables	–	49,673	49,673	–	–	49,673
Other financial assets	740	9,527	9,527	1,577	–	11,844
Marketable securities	17,520	–	–	–	–	17,520
Cash, cash equivalents and time deposits	–	19,265	19,265	–	–	19,265
Noncurrent liabilities						
Noncurrent financial liabilities	–	66,358	66,932	–	–	66,358
Other noncurrent financial liabilities	885	1,859	1,863	1,745	–	4,488
Current liabilities						
Put options and compensation rights granted to noncontrolling interest shareholders	–	3,849	3,861	–	–	3,849
Current financial liabilities	–	88,461	88,461	–	–	88,461
Trade payables	–	22,794	22,794	–	–	22,794
Other current financial liabilities	1,473	6,010	6,010	1,956	–	9,438

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF SEPTEMBER 30, 2017

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT SEPT. 30, 2017
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	7,247	7,247
Other equity investments	308	–	–	–	957	1,265
Financial services receivables	–	70,958	73,061	–	–	70,958
Other financial assets	582	4,740	4,756	3,262	–	8,584
Current assets						
Trade receivables	–	13,230	13,230	–	–	13,230
Financial services receivables	–	51,277	51,277	–	–	51,277
Other financial assets	584	8,944	8,944	2,216	–	11,744
Marketable securities	16,248	–	–	–	–	16,248
Cash, cash equivalents and time deposits	–	21,395	21,395	–	–	21,395
Assets held for Sale	–	–	–	–	89	89
Noncurrent liabilities						
Noncurrent financial liabilities	–	78,568	81,273	–	–	78,568
Other noncurrent financial liabilities	467	1,571	1,574	331	–	2,368
Current liabilities						
Put options and compensation rights granted to noncontrolling interest shareholders	–	3,784	3,784	–	–	3,784
Current financial liabilities	–	80,392	80,392	–	–	80,392
Trade payables	–	23,020	23,020	–	–	23,020
Other current financial liabilities	560	7,766	7,766	662	–	8,988

The following tables contain an overview of the financial assets and liabilities measured at fair value:

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BY LEVEL

€ million	Dec. 31, 2016	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	187	76	–	111
Other financial assets	251	–	216	34
Current assets				
Other financial assets	740	–	734	6
Marketable securities	17,520	17,520	–	–
Noncurrent liabilities				
Other noncurrent financial liabilities	885	–	722	163
Current liabilities				
Other current financial liabilities	1,473	–	1,406	67

€ million	Sept. 30, 2017	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	308	130	–	178
Other financial assets	582	–	520	62
Current assets				
Other financial assets	584	–	581	3
Marketable securities	16,248	16,248	–	–
Noncurrent liabilities				
Other noncurrent financial liabilities	467	–	162	304
Current liabilities				
Other current financial liabilities	560	–	427	133

DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING BY LEVEL

€ million	Dec. 31, 2016	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	3,023	–	3,019	4
Current assets				
Other financial assets	1,577	–	1,577	–
Noncurrent liabilities				
Other noncurrent financial liabilities	1,745	–	1,745	0
Current liabilities				
Other current financial liabilities	1,956	–	1,956	–

€ million	Sept. 30, 2017	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	3,262	–	3,262	–
Current assets				
Other financial assets	2,216	–	2,216	–
Noncurrent liabilities				
Other noncurrent financial liabilities	331	–	331	–
Current liabilities				
Other current financial liabilities	662	–	662	–

The allocation of fair values to the three levels in the fair value hierarchy is based on the availability of observable market prices. Level 1 is used to report the fair value of financial instruments for which a price is directly available in an active market. Examples include marketable securities and other equity investments measured at fair value. Fair values in Level 2, for example of derivatives, are measured on the basis of market inputs using market-based valuation techniques. In particular, the inputs used include exchange rates, yield curves and commodity prices that are observable in the relevant markets and obtained through pricing services. Fair Values in Level 3 are calculated using valuation techniques that incorporate inputs that are not directly observable in active markets. In the Volkswagen Group, long-term commodity futures are allocated to Level 3 because the prices available on the market must be extrapolated for measurement purposes. This is done on the basis of observable inputs obtained for the different commodities through pricing services. Options on equity instruments and residual value protection models are also reported in Level 3. Equity instruments are measured primarily using the relevant business plans and entity-specific discount rates. The significant inputs used to measure fair value for the residual value protection models include forecasts and estimates of used vehicle residual values for the appropriate models.

CHANGES IN BALANCE SHEET ITEMS MEASURED AT FAIR VALUE BASED ON LEVEL 3

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2016	**119**	**251**
Foreign exchange differences	–3	0
Total comprehensive income	14	63
recognized in profit or loss	7	67
recognized in other comprehensive income	7	–3
Additions (purchases)	3	–
Sales and settlements	–3	–60
Transfers into Level 2	0	–28
Balance at Sept. 30, 2016	**130**	**226**
Total gains or losses recognized in profit or loss	**7**	**–67**
Net other operating expense/income	–	–
of which attributable to assets/liabilities held at the reporting date	–	–
Financial result	7	–67
of which attributable to assets/liabilities held at the reporting date	7	–43

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2017	**152**	**230**
Foreign exchange differences	– 8	–
Total comprehensive income	46	275
recognized in profit or loss	50	275
recognized in other comprehensive income	– 4	0
Additions (purchases)	83	–
Sales and settlements	– 10	– 67
Transfers into Level 2	– 20	– 2
Balance at Sept. 30, 2017	**243**	**437**
Total gains or losses recognized in profit or loss	**50**	**– 275**
Net other operating expense/income	–	–
of which attributable to assets/liabilities held at the reporting date	–	–
Financial result	50	– 275
of which attributable to assets/liabilities held at the reporting date	23	– 274

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. The transfers out of Level 3 into Level 2 comprise commodity futures for which observable quoted prices are now available for measurement purposes due to the decline in their remaining maturities; consequently, no further extrapolation is required. There were no transfers between other levels of the fair value hierarchy.

Commodity prices are the key risk variable for the fair value of commodity futures. Sensitivity analyses are used to present the effect of changes in commodity prices on earnings after tax and equity.

If commodity prices for commodity futures classified as Level 3 had been 10% higher (lower) as of September 30, 2017, profit after tax would have been €12 million higher (lower). The equity is not affected.

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

If the assumed enterprise values at September 30, 2017 had been 10% higher, earnings after tax would have been €2 million higher. If the assumed enterprise values at September 30, 2017 had been 10% lower, earnings after tax would have been €2 million lower.

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

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

If the prices for the used cars covered by the residual value protection model had been 10% higher as of September 30, 2017, earnings after tax would have been €259 million higher. If the prices for the used cars covered by the residual value protection model had been 10% lower as of September 30, 2017, earnings after tax would have been €259 million lower.

12. Cash flow statement

The cash flow statement presents the cash inflows and outflows in the Volkswagen Group and in the Automotive and Financial Services divisions. Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.

€ million	Sept. 30, 2017	Sept. 30, 2016
Cash, cash equivalents and time deposits as reported in the balance sheet	21,395	27,010
Time deposits	–406	–365
Cash and cash equivalents as reported in the cash flow statement	**20,989**	**26,644**

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

€ million	Q1–3 2017	Q1–3 2016
Capital contributions	3,473	–
Dividends paid	–1,311	–364
Capital transactions with noncontrolling interest shareholders	–	–3
Other changes	–	–28
Proceeds from issuance of bonds	21,195	6,520
Repayments of bonds	–11,349	–16,487
Changes in other financial liabilities	–65	18,494
Lease payments	–16	–26
	11,927	**8,107**

13. Segment reporting

Segments are identified on the basis of the Volkswagen Group's internal management and reporting. In line with the Group's multibrand strategy, each of its brands (operating segments) is managed by its own board of management. The Group targets and requirements laid down by the Board of Management of Volkswagen AG must be complied with. Segment reporting comprises four reportable segments: Passenger Cars, Commercial Vehicles, Power Engineering and Financial Services.

The activities of the Passenger Cars segment cover the development of vehicles and engines, the production and sale of passenger cars, and the corresponding genuine parts business. Given the high degree of technological and economic interlinking in the production network of the individual brands, the Passenger Cars reporting segment combines the Volkswagen Group's individual car brands to a single reportable segment. Furthermore, there is collaboration within key areas such as procurement, research and development or treasury.

The Commercial Vehicles segment primarily comprises the development, production and sale of light commercial vehicles, trucks and buses, the corresponding genuine parts business and related services. Just as in the case of the car brands, there is collaboration within the areas procurement, development and sale. The aim is to achieve further forms of interlinking.

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

The activities of the Financial Services segment comprise dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility services. In this segment, combinations occur especially while taking into account the comparability of the type of services as well as the regulatory situation permits.

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

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

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

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

REPORTING SEGMENTS: Q1-Q3 2016

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

REPORTING SEGMENTS: Q1-Q3 2017

€ million	Passenger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	125,588	20,096	2,353	22,766	170,804	60	170,864
Intersegment sales revenue	14,200	5,661	2	2,545	22,407	–22,407	–
Total sales revenue	139,788	25,757	2,355	25,311	193,211	–22,347	170,864
Segment profit or loss (operating profit or loss)	9,562	1,484	–75	1,919	12,890	–2,254	10,636

RECONCILIATION

	Q1–3	
€ million	2017	2016
Segment profit or loss (operating profit or loss)	**12,890**	**9,164**
Unallocated activities	36	54
Group financing	9	16
Consolidation	–2,298	–588
Operating profit	**10,636**	**8,647**
Financial result	**–84**	**–488**
Consolidated profit before tax	**10,552**	**8,159**

14. Related party disclosures

At 52.2%, Porsche SE held the majority of the voting rights in Volkswagen AG as of September 30, 2017.

The creation of rights of appointment for the State of Lower Saxony was resolved at the Extraordinary General Meeting of Volkswagen AG on December 3, 2009. As a result, Porsche SE cannot appoint the majority of the members of Volkswagen AG's Supervisory Board for as long as the State of Lower Saxony holds at least 15% of Volkswagen AG's ordinary shares. However, Porsche SE has the power to participate in the operating policy decisions of the Volkswagen Group and is therefore classified as a related party as defined by IAS 24.

	SUPPLIES AND SERVICES RENDERED Q1–3		SUPPLIES AND SERVICES RECEIVED Q1–3	
€ million	2017	2016	2017	2016
Porsche SE	6	8	0	1
Supervisory Board members	2	3	1	3
Unconsolidated subsidiaries	628	643	751	531
Joint ventures and their majority interests	10,437	9,485	789	876
Associates and their majority interests	156	142	456	548
State of Lower Saxony, its majority interests and joint ventures	10	3	4	3

	RECEIVABLES FROM		LIABILITIES (INCLUDING OBLIGATIONS) TO	
€ million	Sept. 30, 2017	Dec. 31, 2016	Sept. 30, 2017	Dec. 31, 2016
Porsche SE	13	323	0	1
Supervisory Board members	0	0	306	297
Unconsolidated subsidiaries	1,026	1,036	1,379	1,188
Joint ventures and their majority interests	8,646	8,808	1,960	1,784
Associates and their majority interests	65	53	536	495
State of Lower Saxony, its majority interests and joint ventures	4	2	1	1

The supplies and services received from joint ventures and associates that are presented in the above tables do not include resolved dividend distributions amounting to €3,539 million (previous year: €3,492 million).

Transactions with related parties are conducted on an arm's length basis. Some of these transactions also include reservation of title clauses.

The decrease in receivables from Porsche SE is attributable to a loan repayment.

Obligations to members of the Supervisory Board relate primarily to interest-bearing bank balances of Supervisory Board members that were invested at standard market terms and conditions at Volkswagen Group companies.

In addition, the Volkswagen Group has furnished guarantees to external banks on behalf of related parties in the amount of €143 million.

The outstanding related party receivables were impaired in the amount of €25 million. This incurred expenses of €2 million in the first three quarters of 2017.

In the first nine months, the Volkswagen Group made capital contributions of €136 million to related parties.

15. Performance share plan

The Supervisory Board of Volkswagen Aktiengesellschaft has resolved to adjust the remuneration system of the Board of Management with effect from January 1, 2017.

The new system for remuneration of the Board of Management was approved by the Annual General Meeting on May 10, 2017.

The new remuneration system for the Board of Management consists of a fixed and two variable components, comprising an annual bonus with a one-year assessment period and a long-term incentive ("LTI") in the form of a so-called performance share plan with a three-year term extending into the future.

Each performance period of the performance share plan shall have a term of three years. At the time the LTI is granted, the annual target amount under the LTI shall be converted, on the basis of the initial price of the Volkswagen preferred share, into performance shares, which shall be allocated to the respective member of the Board of Management as a pure calculation position. The final determination of the number of performance shares occurs for one-third at the end of each year of the three-year performance period, in accordance with the degree of target achievement for the annual earnings per Volkswagen preferred share.

After the end of the three-year term of the performance share plan, a cash settlement shall take place. The payment amount corresponds to the final number of determined performance shares, multiplied by the amount resulting from the closing price at the end of the three-year period plus the dividend equivalent for the relevant term.

The payment amount under the performance share plan shall be limited to 200% of the target amount.

Should a member of the Board of Management leave the Company of their own volition before the performance shares are paid out or should that member start working for a competitor, all unpaid performance shares shall expire. This does not apply to Board of Management members who had already been appointed before the change in the remuneration system for the Board of Management. Their target amount in the year they left the Company shall be reduced pro rata temporis. For further details, please refer to our disclosures in the 2017 interim report for the period from January 1 to March 31, 2017 in the section entitled "Key events".

In accordance with IFRS 2, the obligations under the performance share plan are accounted for as a cash-settled plan and measured at fair value using a recognized valuation technique. Within the framework of the changeover to the new remuneration system, the eight members of the Board of Management who had already approved the change before the balance sheet date were allocated a total of 128,519 performance shares. The fair value of the obligation as of September 30, 2017 amounts to €19.9 million. If the members of the Board of Management had left as of September 30, 2017, the obligation (intrinsic value) would have amounted to a total of €13.0 million. As of the reporting date, all members of the Board of Management had agreed to transfer to the new remuneration system.

16. Litigation

On March 10, 2017, Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates entered into a settlement agreement resolving the environmental claims of ten states – Connecticut, Delaware, Maine, Massachusetts, New York, Oregon, Pennsylvania, Rhode Island, Vermont and Washington – for an amount of USD 157 million.

On March 24, 2017, the United States filed a motion for entry of the second partial consent decree, which had been agreed to between Volkswagen and the Department of Justice (DOJ), the US Environmental Protection Agency (EPA), the US environmental authority of California – the California Air Resources Board (CARB) – and the California Attorney General on December 20, 2016 that resolved claims for injunctive relief under the US Clean Air Act and California environmental, consumer protection and false advertising laws related to the 3.0 l TDI vehicles. The federal court in the multidistrict litigation in California approved the second partial consent decree on May 17, 2017. Also on May 17, 2017, the court granted final approval of the 3.0 l TDI California Second Partial Consent Decree, the second 3.0 l TDI Partial Stipulated Order with the US Federal Trade Commission (FTC) and the class action settlement reached with private plaintiffs related to 3.0 l TDI vehicles.

On April 13, 2017, the federal court in the multidistrict litigation in California approved the third partial consent decree, which Volkswagen had agreed to with the DOJ and EPA on January 11, 2017 that resolved claims for civil penalties and injunctive relief under the Clean Air Act related to the 2.0 l and 3.0 l TDI vehicles. Various cases filed against Volkswagen AG and its affiliates remain pending before the federal court in the multidistrict litigation in California, including class actions brought by competitor dealerships (i.e. non-Volkswagen car dealerships) and Volkswagen salespersons working at franchise dealerships, as well as purchasers of certain Volkswagen bonds and American Depositary Receipts (ADRs). Moreover, certain members of the consumer and dealer classes have opted out of the settlements in the California multidistrict litigation and instead filed their own lawsuits, which are pending in the California multidistrict litigation and various state courts in the United States.

On April 21, 2017, the federal court in Michigan accepted Volkswagen AG's agreement to plead guilty on January 11, 2017 and to pay a USD 2.8 billion criminal penalty, and imposed a sentence of three years' probation.

Also on April 21, 2017, Canadian courts approved the settlement agreement entered into between consumers and Volkswagen AG and other Canadian and US Volkswagen Group companies relating to 2.0 l diesel vehicles.

In connection with the diesel issue, the public prosecutor's office of Munich II initiated at first a criminal investigation against persons unknown in March 2017 and now against several suspects on suspicion of fraud and false advertising in connection with V6 3.0 l TDI vehicles. In July, misdemeanor proceedings against AUDI AG were filed in connection with the diesel issue. The investigations are still at an early stage and further progress remains to be seen.

In June 2017, Larry Thompson was named as an Independent Compliance Monitor and an Independent Compliance Auditor. Together with his team, he will be active for the period of three years pursuant to the criminal plea agreement and the third partial consent decree. Mr. Thompson (the "Monitor") has significant experience in both public and private sectors, having served inter alia as a Deputy Attorney General; a United States Attorney for the Northern District of Georgia; and as Executive Vice President and General Counsel for Pepsi-Co. Volkswagen AG and relevant related entities are working closely with the Monitor and his team to support them as they execute their mandates.

On April 19, 2017, a putative class action was filed against AUDI AG and certain affiliates alleging that defendants concealed the existence of "defeat devices" in Audi brand vehicles with automatic gearboxes. There are now 14 such putative class actions pending in the California multidistrict litigation. On October 12, 2017, plaintiffs filed a consolidated class action complaint. The defendants' motion to dismiss is due on December 11, 2017.

In addition, five "mass actions" were filed in the California multidistrict litigation on behalf of approximately 500 individual plaintiffs alleging similar claims with respect to the existence of "defeat devices" in Audi brand vehicles with automatic gearboxes. The most recent of the mass action complaints was filed on May 26, 2017. In June 2017, the plaintiffs dismissed these actions without prejudice.

On May 23, 2017, the federal court in the multidistrict litigation in California remanded the consumer and environmental claims of 12 State Attorneys General (Alabama, Illinois, Maryland, Minnesota, Missouri, Montana, New Hampshire, New Mexico, Ohio, Oklahoma, Tennessee and Vermont) to their respective state courts, where future litigation of these claims will proceed.

In June 2017, Volkswagen Group Canada reached an agreement with its Volkswagen-branded franchise dealers to resolve issues related to the diesel issue. The agreement was reached without court process.

On June 28, 2017, the court in the multidistrict litigation in California granted in part and denied in part Volkswagen AG's motion to dismiss plaintiffs' First Amended Consolidated Securities Class Action Complaint, which was filed by certain purchasers of Volkswagen ADRs. On July 19, 2017, this court granted in part and denied in part Volkswagen AG's motion to dismiss the class action complaint filed by purchasers of certain Volkswagen bonds. On August 18, 2017, plaintiffs filed an amended complaint, which Volkswagen AG moved to dismiss on September 23, 2017.

On July 21, 2017, the federal court in the multidistrict litigation in California approved a further California Partial Consent Decree, in which Volkswagen AG and certain affiliates had agreed with the California Attorney General and CARB to pay USD 153.8 million in civil penalties and cost reimbursements. These penalties covered California environmental penalties for both the 2.0 l and 3.0 l TDI vehicles. An agreement in principle had been reached on January 11, 2017.

Also on July 21, 2017, the California federal court granted the motion of the Plaintiffs' Steering Committee seeking USD 125 million in attorneys' fees and costs in connection with the 3.0 l TDI settlement.

On August 31, 2017, the federal court in the multidistrict litigation in California granted Volkswagen AG, Volkswagen Group of America, Inc., AUDI AG, and Audi of America, LLC's motion to dismiss the environmental suit filed by the State of Wyoming on the grounds that the lawsuit was preempted by the US Clean Air Act.

On September 8, 2017, a Canadian court approved the CAD 31.2 million agreement reached by Volkswagen AG and other Canadian and US Volkswagen Group companies to resolve class counsel's legal fees in connection with the 2.0 l diesel class action settlement with Canadian consumers outside of the province of Quebec.

On September 15, 2017, a provincial regulator in Canada, the Ontario Ministry of the Environment and Climate Change, charged Volkswagen AG under the province's environmental statute with one count alleging that it caused or permitted the operation of 2.0 l diesel vehicles that did not comply with prescribed emission standards. A court appearance is scheduled for November 15, 2017.

From July through September 2017, plaintiffs filed numerous complaints in various jurisdictions on behalf of putative classes of purchasers of German luxury vehicles against several automobile manufacturers, including Volkswagen AG and its related entities. These complaints assert claims under the US Sherman Antitrust Act, the Racketeer Influenced and Corrupt Organizations Act, state unfair competition and consumer protection statutes, and common law unjust enrichment. The complaints allege that since the 1990s, defendants engaged in a conspiracy to unlawfully increase the prices of German luxury vehicles by agreeing to share commercially sensitive information and to reach unlawful agreements regarding technology, costs, and suppliers. Moreover, the plaintiffs allege that the defendants agreed to limit the size of AdBlue tanks to ensure that US emissions regulators did not scrutinize the emissions control systems in defendants' vehicles, and that such agreement for Volkswagen was the impetus for the creation of the defeat device. On September 28, 2017, a hearing before the Judicial Panel on Multidistrict Litigation (JPML) was held, and on October 4, 2017 the JPML issued its decision consolidating and transferring these cases to Judge Breyer in the Northern District of California.

In September 2017, a court of first instance in Brazil ruled against Volkswagen do Brasil in a product-related class action regarding the diesel issue. The decision is neither final nor enforceable. Volkswagen do Brasil will appeal against the decision. Volkswagen currently assumes that in the final instance, a defense against this complaint is, for the most part, likely to be successful.

In Germany, the number of individual lawsuits filed by customers in connection with the diesel issue increased from 1,300 to 4,600.

On July 21, 2017, AUDI AG offered a software-based retrofit program for up to 850,000 vehicles with V6 and V8 TDI engines meeting the Euro 5 and Euro 6 emission standards in Europe and other markets except the USA and Canada. The measure will mainly serve to further improve the vehicles' emissions in real driving conditions beyond the current legal requirements. Customers will not be charged for the new software. The full package is also offered for certain Porsche and Volkswagen models and comprises voluntary and compulsory measures that have already been reported to the authorities and partially considered within their decisions. For months, Audi has been systematically checking the emissions of engine-gearbox combinations, working closely with the authorities, in particular the German Federal Ministry of Transport and the German Federal Motor Transport Authority (KBA). Audi currently assumes that the overall cost of the software-based retrofit program including the scope related to recalls will be manageable and has recognized provisions in this respect. If the investigations by Audi and the discussions with the KBA should reveal that further measures are necessary, Audi will swiftly implement the required solutions in the interest of its customers as part of the retrofit program. The voluntary tests have already reached an advanced stage, but have not yet been completed. In addition, Audi is responding to requests from the US authorities for information regarding automatic gearboxes in certain vehicles. Further field measures with financial consequences can therefore not be ruled out completely at this time.

In Austria, the Supreme Court ruled in a final judgment on July 7, 2017, that the investor lawsuits against Volkswagen do not fall within the jurisdiction of the Austrian courts. Volkswagen expects this decision to result in the rejection or withdrawal of all investor lawsuits currently pending in Austria.

Worldwide (excluding USA and Canada), investor lawsuits, judicial applications for dunning procedures and conciliation proceedings, and claims under section 10(2) of the Kapitalanleger-Musterverfahrensgesetz (KapMuG – German Capital Markets Model Case Act) are currently pending against Volkswagen in connection with the diesel issue, with the claims totaling approximately €9 billion.

Oral hearings in the Capital Markets Model Case Proceedings concerning the acquisition by Porsche Automobil Holding SE of preferred shares in Volkswagen AG in 2008 began at the Celle Higher Regional Court on October 12, 2017. The competent senate of the Celle Higher Regional Court indicated at the first hearing that, given the lack of substantiated submissions, it does not currently believe that Volkswagen AG had knowledge of the relevant circumstances or that any existing knowledge can be attributed on legal grounds to the "dual mandate holders" on the Volkswagen AG Supervisory Board. The legal counsels of the plaintiff in the Model Case Proceedings and the joined party Elliott subsequently submitted a motion to disqualify the judges on bias. Through a press release dated October 24, 2017, the higher regional court in Celle announced its decision to reject the motion to recuse judges on the grounds of bias. Volkswagen sees the statements of the court's senate as confirmation that the claims made against the company have absolutely no basis.

In 2011, the European Commission conducted searches at European truck manufacturers on suspicion of an unlawful exchange of information during the period 1997–2011 and issued a statement of objections to MAN, Scania and the other truck manufacturers concerned in November 2014.

With its settlement decision in July 2016, the European Commission fined five European truck manufacturers. MAN's fine was waived in full as the company had informed the EU Commission about the irregularities as a key witness.

In September 2017, the European Commission then fined Scania €0.88 billion. Scania plans to appeal to the European Court in Luxembourg and use all means at its disposal to defend itself. Scania had already recognized a provision of €0.4 billion in 2016.

Within the scope of the European Commission's ongoing antitrust investigations regarding German automakers, authorities examined documents in the offices of Volkswagen AG in Wolfsburg and AUDI AG in Ingolstadt as part of an announced review. The Volkswagen Group and the Group brands concerned have been cooperating fully and for a long time with the European Commission and have submitted a corresponding application. It is currently unclear whether the European Commission will instigate formal proceedings.

In addition, a few national and international authorities have initiated antitrust investigations. Volkswagen is cooperating closely with the responsible authorities in these investigations. An assessment of the underlying situation is not possible at this early stage.

Beyond this, there were no significant changes in the reporting period compared with the disclosures on the Volkswagen Group's expected development in fiscal year 2017 in the "Report on Expected Developments" and "Report on Risks and Opportunities" chapters – including the "Risks from the diesel issue" and "Litigation/Diesel issue" sections and the underlying description of the issues in the chapter entitled "Diesel Issue" – of the combined management report in the 2016 Annual Report or in publications released by the reporting date concerning the diesel issue and other possible proceedings, as well as the investigations and interviews in connection with the diesel issue.

17. Contingent liabilities

On May 5, 2016, the U.S. National Highway Traffic Safety Administration (NHTSA) announced, jointly with the Takata company, a further extension of the recall for various models from different manufacturers containing certain airbags produced by the Takata company. Recalls were also ordered by the local authorities in individual countries. The recalls also included models manufactured by the Volkswagen Group. Appropriate provisions have been recognized. Currently, the possibility of further extensions to the recalls that could also affect Volkswagen Group models cannot be ruled out. It is not possible at the moment to provide further disclosures in accordance with IAS 37.86 in relation to this matter because the technical investigations and consultations with the authorities are still being carried out.

Compared with the 2016 consolidated financial statements, contingent liabilities increased by €0.6 billion to €7.4 billion, mainly due to the recognition of additional legal risks.

18. Other financial obligations

Other financial liabilities rose by €0.9 billion compared with the 2016 consolidated financial statements to reach €26.8 billion.

German Corporate Governance Code

The current declarations in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on the German Corporate Governance Code by the Board of Management and Supervisory Board of Volkswagen AG, AUDI AG, MAN SE and RENK AG are permanently available on the Internet at www.volkswagenag.com/ir, www.audi.com/cgk-declaration, www.corporate.man.eu/en and www.renk.biz/corporated-governance.html respectively.

Significant events after the balance sheet date

There were no significant events after the end of the first nine months of 2017.

Wolfsburg, October 27, 2017

Volkswagen Aktiengesellschaft

The Board of Management

Review Report

On completion of our review, we issued the following unqualified auditors’ report dated October 27, 2017. This report was originally prepared in German. In case of ambiguities the German version takes precedence:

To VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg

We have reviewed the condensed consolidated interim financial statements - comprising the condensed income statement and condensed statement of comprehensive income, condensed balance sheet, condensed statement of changes in equity, condensed statement of cash flows and selected explanatory notes - and the interim group management report of VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, for the period from January 1 to September 30, 2017, which are part of the quarterly financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Without qualifying our opinion, we draw attention to the updated information provided in section “Key events” of the notes to the condensed consolidated interim financial statements and in chapter “Report on Expected Developments, Risks and Opportunities” of the interim group management report with regard to the Diesel Issue, which essentially refer to the information provided and statements made in the 2016 consolidated financial statements and in the combined management report as of December 31, 2016.

Based on the results of the various measures taken to investigate the issue presented so far, which underlie these financial statements, there is no validation that members of the board of management were aware of the deliberate manipulation of engine management software before summer 2015. Nevertheless, should as a result of the ongoing investigation new solid knowledge be obtained showing that members of the board of management were informed earlier, this could eventually have an impact on the condensed consolidated interim financial statements as well as on the annual and consolidated financial statements and on the combined management report for the fiscal year 2016 and prior years.

The provisions for warranties and legal risks recorded so far are based on the presented state of knowledge. Due to the inevitable uncertainties associated with the current and expected litigation it cannot be excluded that a future assessment of the risks may be different.

Hanover, October 27, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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FINANCIAL CALENDAR

March 13, 2018
Volkswagen AG Annual Media Conference and Investor Conference

April 26, 2018
Interim Report January – March 2018

May 3, 2018
Volkswagen AG Annual General Meeting

August 1, 2018
Half-Yearly Financial Report 2018

October 30, 2018
Interim Report January – September 2018

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

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

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