4

Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

of the Volkswagen Group for the period January 1 to December 31, 2017

€ million	Note	2017	2016
Sales revenue	**1**	**230,682**	**217,267**
Cost of sales	2	–188,140	–176,270
Gross result		**42,542**	**40,997**
Distribution expenses	3	–22,710	–22,700
Administrative expenses	4	–8,254	–7,336
Other operating income	5	14,500	13,049
Other operating expenses	6	–12,259	–16,907
Operating result		**13,818**	**7,103**
Share of the result of equity-accounted investments	7	3,482	3,497
Interest income[1]	8	951	1,285
Interest expenses[1]	8	–2,317	–2,955
Other financial result[1]	9	–2,022	–1,638
Financial result		**94**	**189**
Earnings before tax		**13,913**	**7,292**
Income tax income/expense	10	–2,275	–1,912
Current		–3,205	–3,273
Deferred		930	1,361
Earnings after tax		**11,638**	**5,379**
of which attributable to			
Noncontrolling interests		10	10
Volkswagen AG hybrid capital investors		274	225
Volkswagen AG shareholders		11,354	5,144
Basic earnings per ordinary share in €	**11**	**22.63**	**10.24**
Diluted earnings per ordinary share in €	**11**	**22.63**	**10.24**
Basic earnings per preferred share in €	**11**	**22.69**	**10.30**
Diluted earnings per preferred share in €	**11**	**22.69**	**10.30**

1 The structure within the financial result has been changed. The presentation of finance costs has been replaced with interest income and interest expenses. Prior year figures have been adjusted accordingly. Further disclosures can be found in the “Interest result” section.

Statement of Comprehensive Income

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

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

Changes in comprehensive income for the period January 1 to December 31, 2017

€ million	Total	Equity attributable to Volkswagen AG shareholders	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to noncontrolling interests
Earnings after tax	**11,638**	**11,354**	**274**	**10**
Pension plan remeasurements recognized in other comprehensive income				
Pension plan remeasurements recognized in other comprehensive income, before tax	785	784	–	1
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	–198	–198	–	0
Pension plan remeasurements recognized in other comprehensive income, net of tax	588	586	–	1
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	96	96	–	–
Items that will not be reclassified to profit or loss	**683**	**682**	**–**	**1**
Exchange differences on translating foreign operations				
Unrealized currency translation gains/losses	–2,095	–2,094	–	–1
Transferred to profit or loss	–4	–4	–	–
Exchange differences on translating foreign operations, before tax	–2,099	–2,098	–	–1
Deferred taxes relating to exchange differences on translating foreign operations	–8	–8	–	–
Exchange differences on translating foreign operations, net of tax	–2,107	–2,106	–	–1
Cash flow hedges				
Fair value changes recognized in other comprehensive income	6,137	6,137	–	0
Transferred to profit or loss	–558	–558	–	0
Cash flow hedges, before tax	5,579	5,579	–	0
Deferred taxes relating to cash flow hedges	–1,597	–1,597	–	0
Cash flow hedges, net of tax	3,982	3,982	–	0
Available-for-sale financial assets				
Fair value changes recognized in other comprehensive income	56	56	–	–
Transferred to profit or loss	62	62	–	–
Available-for-sale financial assets, before tax	118	118	–	–
Deferred taxes relating to available-for-sale financial assets	–25	–25	–	–
Available-for-sale financial assets, net of tax	93	93	–	–
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	–346	–346	–	–
Items that may be reclassified subsequently to profit or loss	**1,622**	**1,622**	**–**	**–1**
Other comprehensive income, before tax	4,133	4,132	–	1
Deferred taxes relating to other comprehensive income	–1,828	–1,828	–	0
Other comprehensive income, net of tax	**2,305**	**2,304**	**–**	**1**
Total comprehensive income	**13,943**	**13,658**	**274**	**11**

Balance Sheet

of the Volkswagen Group as of December 31, 2017

€ million	Note	Dec. 31, 2017	Dec. 31, 2016
Assets			
Noncurrent assets			
Intangible assets	12	63,419	62,599
Property, plant and equipment	13	55,243	54,033
Lease assets	14	39,254	38,439
Investment property	14	468	512
Equity-accounted investments	15	8,205	8,616
Other equity investments	15	1,318	996
Financial services receivables	16	73,249	68,402
Other financial assets	17	8,455	8,256
Other receivables	18	2,252	2,009
Tax receivables	19	407	392
Deferred tax assets	19	9,810	9,756
		262,081	**254,010**
Current assets			
Inventories	20	40,415	38,978
Trade receivables	21	13,357	12,187
Financial services receivables	16	53,145	49,673
Other financial assets	17	11,998	11,844
Other receivables	18	5,346	5,130
Tax receivables	19	1,339	1,126
Marketable securities	22	15,939	17,520
Cash, cash equivalents and time deposits	23	18,457	19,265
Assets held for sale		115	–
		160,112	**155,722**
Total assets		**422,193**	**409,732**

€ million	Note	Dec. 31, 2017	Dec. 31, 2016
Equity and Liabilities			
Equity	**24**		
Subscribed capital		1,283	1,283
Capital reserves		14,551	14,551
Retained earnings		81,367	70,446
Other reserves		560	–1,158
Equity attributable to Volkswagen AG hybrid capital investors		11,088	7,567
Equity attributable to Volkswagen AG shareholders and hybrid capital investors		108,849	92,689
Noncontrolling interests		229	221
		109,077	**92,910**
Noncurrent liabilities			
Financial liabilities	25	81,628	66,358
Other financial liabilities	26	2,665	4,488
Other liabilities	27	6,199	5,664
Deferred tax liabilities	28	5,636	4,745
Provisions for pensions	29	32,730	33,012
Provisions for taxes	28	3,030	3,556
Other provisions	30	20,839	21,482
		152,726	**139,306**
Current liabilities			
Put options and compensation rights granted to noncontrolling interest shareholders	31	3,795	3,849
Financial liabilities	25	81,844	88,461
Trade payables	32	23,046	22,794
Tax payables	28	430	500
Other financial liabilities	26	8,570	9,438
Other liabilities	27	15,961	15,461
Provisions for taxes	28	1,397	1,301
Other provisions	30	25,347	35,711
		160,389	**177,515**
Total equity and liabilities		**422,193**	**409,732**

Statement of Changes in Equity

of the Volkswagen Group for the period January 1 to December 31, 2017

				OTHER RESERVES
€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve
Balance at Jan. 1, 2016	**1,283**	**14,551**	**69,039**	**–987**
Earnings after tax	–	–	5,144	–
Other comprehensive income, net of tax	–	–	–3,657	–129
Total comprehensive income	**–**	**–**	**1,487**	**–129**
Capital increases	–	–	–	–
Dividends payment	–	–	–68	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	–13	–
Balance at Dec. 31, 2016	**1,283**	**14,551**	**70,446**	**–1,117**
Balance at Jan. 1, 2017	**1,283**	**14,551**	**70,446**	**–1,117**
Earnings after tax	–	–	11,354	–
Other comprehensive income, net of tax	–	–	586	–2,106
Total comprehensive income	**–**	**–**	**11,940**	**–2,106**
Capital increases[1]	–	–	–	–
Dividends payment	–	–	–1,015	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	–4	–
Balance at Dec. 31, 2017	**1,283**	**14,551**	**81,367**	**–3,223**

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.

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

	Cash flow hedge reserve	Available-for-sale financial assets	Equity-accounted investments	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to Volkswagen AG shareholders and hybrid capital investors	Noncontrolling interests	Total equity
	–3,912	**–16**	**542**	**7,560**	**88,060**	**210**	**88,270**
	–	–	–	225	5,369	10	5,379
	3,455	14	–131	–	–448	–1	–449
	3,455	**14**	**–131**	**225**	**4,921**	**9**	**4,930**
	–	–	–	–	–	–	–
	–	–	–	–291	–359	–6	–364
	–	–	–	–	–	–	–
	–	–	6	73	66	8	74
	–457	**–2**	**417**	**7,567**	**92,689**	**221**	**92,910**
	–457	**–2**	**417**	**7,567**	**92,689**	**221**	**92,910**
	–	–	–	274	11,628	10	11,638
	3,982	93	–251	–	2,304	1	2,305
	3,982	**93**	**–251**	**274**	**13,932**	**11**	**13,943**
	–	–	–	3,481	3,481	–	3,481
	–	–	–	–311	–1,326	–5	–1,332
	–	–	–	–	–	–	–
	–	–	–	78	73	1	75
	3,525	**91**	**166**	**11,088**	**108,849**	**229**	**109,077**

Cash flow statement

of the Volkswagen Group for the period January 1 to December 31, 2017

€ million	2017	2016
Cash and cash equivalents at beginning of period	**18,833**	**20,462**
Earnings before tax	13,913	7,292
Income taxes paid	–3,664	–3,315
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant and equipment, and investment property[1]	10,562	10,100
Amortization of and impairment losses on capitalized development costs[1]	3,734	3,586
Impairment losses on equity investments[1]	136	130
Depreciation of and impairment losses on lease assets[1]	7,734	7,107
Gain/loss on disposal of noncurrent assets and equity investments	–25	–222
Share of the result of equity-accounted investments	274	377
Other noncash expense/income	–480	716
Change in inventories	–4,198	–3,637
Change in receivables (excluding financial services)	–1,660	–2,155
Change in liabilities (excluding financial liabilities)	5,302	5,048
Change in provisions	–9,443	5,966
Change in lease assets	–11,478	–12,074
Change in financial services receivables	–11,891	–9,490
Cash flows from operating activities	**–1,185**	**9,430**
Investments in intangible assets (excluding development costs), property, plant and equipment, and investment property	–13,052	–13,152
Additions to capitalized development costs	–5,260	–5,750
Acquisition of subsidiaries	–277	–119
Acquisition of other equity investments	–561	–309
Disposal of subsidiaries	496	–7
Disposal of other equity investments	24	2,190
Proceeds from disposal of intangible assets, property, plant and equipment, and investment property	411	351
Change in investments in securities	1,376	–1,245
Change in loans and time deposits	335	–2,638
Cash flows from investing activities	**–16,508**	**–20,679**
Capital contributions	3,473	–
Dividends paid	–1,332	–364
Capital transactions with noncontrolling interest shareholders	–	–3
Proceeds from issuance of bonds	30,279	14,262
Repayments of bonds	–17,877	–23,601
Changes in other financial liabilities	3,109	19,455
Lease payments	–28	–36
Cash flows from financing activities	**17,625**	**9,712**
Effect of exchange rate changes on cash and cash equivalents	–727	–91
Net change in cash and cash equivalents	**–796**	**–1,628**
Cash and cash equivalents at end of period	**18,038**	**18,833**
Cash and cash equivalents at end of period	18,038	18,833
Securities, loans and time deposits	26,291	28,036
Gross liquidity	**44,329**	**46,869**
Total third-party borrowings	–163,472	–154,819
Net liquidity	**–119,143**	**–107,950**

1 Net of impairment reversals.

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