VOLKSWAGEN

AKTIENGESELLSCHAFT

Half-Yearly Financial Report

January - June

2014

Key Figures

VOLKSWAGEN GROUP

Volume Data[1]	Q2 2014	Q2 2013	%	H1 2014	H1 2013	%
Deliveries to customers ('000 units)	2,623	2,484	+ 5.6	5,066	4,797	+ 5.6
of which: in Germany	337	329	+ 2.7	626	596	+ 5.0
abroad	2,286	2,155	+ 6.1	4,440	4,201	+ 5.7
Vehicle sales ('000 units)	2,645	2,498	+ 5.9	5,207	4,873	+ 6.8
of which: in Germany	339	323	+ 4.8	644	617	+ 4.3
abroad	2,306	2,175	+ 6.0	4,563	4,256	+ 7.2
Production ('000 units)	2,669	2,498	+ 6.8	5,234	4,886	+ 7.1
of which: in Germany	653	646	+ 1.1	1,314	1,253	+ 4.8
abroad	2,016	1,852	+ 8.8	3,920	3,632	+ 7.9
Employees ('000 on June 30, 2014/Dec. 31, 2013)				575.8	572.8	+ 0.5
of which: in Germany				262.2	260.4	+ 0.7
abroad				313.6	312.4	+ 0.4

Financial Data (IFRSs), € million	Q2 2014	Q2 2013	%	H1 2014	H1 2013	%
Sales revenue	50,977	52,122	−2.2	98,808	98,687	+ 0.1
Operating profit	3,330	3,437	−3.1	6,186	5,780	+ 7.0
as a percentage of sales revenue	6.5	6.6		6.3	5.9	
Profit before tax	4,420	3,932	+ 12.4	7,777	6,620	+ 17.5
as a percentage of sales revenue	8.7	7.5		7.9	6.7	
Profit after tax	3,249	2,847	+ 14.1	5,716	4,793	+ 19.3
Profit attributable to Volkswagen AG shareholders	3,186	2,832	+ 12.5	5,581	4,858	+ 14.9
Cash flows from operating activities	1,848	2,434	−24.1	3,347	4,984	−32.9
Cash flows from investing activities attributable to operating activities	3,312	3,340	−0.8	6,236	5,769	+ 8.1
Automotive Division[2]						
EBITDA[3]	5,710	5,589	+ 2.2	10,953	10,114	+ 8.3
Cash flows from operating activities	6,137	4,904	+ 25.2	8,388	8,431	−0.5
Cash flows from investing activities attributable to operating activities[4]	3,167	3,259	−2.8	5,469	7,201	−24.0
of which: investments in property, plant and equipment	1,953	2,252	−13.3	3,578	3,924	−8.8
as a percentage of sales revenue	4.3	4.9		4.1	4.5	
capitalized development costs[5]	1,205	957	+ 25.9	2,396	1,635	+ 46.5
as a percentage of sales revenue	2.7	2.1		2.8	1.9	
Net cash flow	2,970	1,645	+ 80.6	2,919	1,231	x
Net liquidity at June 30				13,979	11,313	+ 23.6

1 Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method. All figures shown are rounded, so minor discrepancies may arise from addition of these amounts. 2013 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: Q2 €3,147 million (€3,157 million), H1 €5,849 million (€5,365 million).
5 See table on page 36.

Key Facts

- **Volkswagen Group increases deliveries to customers by 5.6% year-on-year to 5.1 million vehicles; continued growth in China and Europe**
- **At €98.8 billion (€98.7 billion), Group sales revenue is up only slightly on the prior-year figure because of significant negative exchange rate effects**
- **Operating profit of €6.2 billion in an ongoing difficult market environment is €0.4 billion higher than in the previous year**
- **Earnings before tax rise by €1.2 billion to €7.8 billion**
- **Cash flows from operating activities in the Automotive Division total €8.4 billion (€8.4 billion); ratio of investments in property, plant and equipment (capex) to sales revenue is 4.1% (4.5%)**
- **Net liquidity in the Automotive Division at €14.0 billion; acquisition of Scania shares and capital increase at Financial Services Division reduce liquidity, while capital increase from issuing new preferred shares and successful placement of hybrid notes strengthen Automotive Division's capital base**
- **Fascinating new models:**
  - **Volkswagen Passenger Cars unveils the Jetta and Touareg model updates; Golf Edition launched to mark the bestseller's 40th anniversary**
  - **Audi celebrates the world premiere of the new "S" version of the A7 and offers a glimpse of a possible addition to the TT series in the shape of the TT offroad concept**
  - **ŠKODA launches the successor to the Octavia in China and expands local production to include the Rapid Sportback**
  - **SEAT presents the sporty Leon CUPRA in Germany**
  - **GTS versions of the Boxster and the Cayman debut at Porsche**
  - **Bentley showcases the Bentley Hybrid Concept – its first vehicle featuring plug-in hybrid technology**

Key Events

MOTOR SHOWS AND EVENTS

The Volkswagen Group presented a wide range of new models at motor shows and events in the second quarter of 2014.

New York Auto Show

The Volkswagen Group of America celebrated the world premiere of the new Jetta at the 2014 New York Auto Show. The facelifted compact saloon features new front and rear styling. Additional assistance systems such as blind spot detection ensure greater comfort and safety. Its improved aerodynamics and updated range of engines, including the addition of a 2.0 TDI clean diesel engine with 110 kW (150 PS), make the new Jetta even more economical than its predecessor.

Bentley saw the North American debut of the new Continental GT Speed and the Flying Spur V8 in New York. Powered by 467 kW (635 PS) 6.0 l W12 engine technology with twin turbocharging and a top speed of 331 km/h, the Continental GT Speed is the luxury brand's fastest ever series-produced vehicle.

Auto China 2014

Volkswagen presented a wide range of new models at the Auto China 2014 in Beijing. The Group also announced an e-mobility campaign for the Chinese market.

The Volkswagen Passenger Cars brand unveiled the revamped Touareg in Beijing. The successful premium SUV was perfected both optically and technically – an updated front and rear as well as fresh colors and sporty rims give the vehicle even more spirit. The new Touareg includes a coasting function, which decouples the engine from the automatic gearbox to save fuel, bi-xenon headlights and mobile online services. Visitors were also drawn to the stand by three studies: Volkswagen marked the 40th anniversary of its best-selling vehicle with the exclusive Golf Edition featuring a metallic white exterior with a golden shimmer and a two-tone leather interior. The sporty Golf R 400 is equipped with a 4Motion all-wheel drive system and a 294 kW (400 PS) TSI engine that takes it from 0 to 100 km/h in only 3.9 seconds. The New Midsize Coupé concept marries a saloon and sports car in a dynamic four door. Its features include a low profile, an avant-garde front with LED headlights, a dynamic roofline and 20-inch alloy rims.

At the Audi brand's stand, the focus was on the Audi TT offroad concept show car. The four door completely reinterprets the design language of the Audi TT, combining the sporty character of a coupé with the features of a compact SUV. The plug-in hybrid drive comprises two electric motors and one 2.0 TFSI engine to deliver a combined maximum output of 300 kW (408 PS). The vehicle uses an average of just 1.9 l of fuel per 100 km. It features Audi Wireless Charging technology for contactless induction charging. The Audi TT offroad concept provides a glimpse of how the brand might imagine a new model in the TT family of the future.

ŠKODA celebrated the Chinese debut of three models. The third generation of the ŠKODA Octavia, which has also been produced in China since spring 2014, sets new standards in space, functionality, technology and design in the compact segment. The ŠKODA Rapid Spaceback also started to roll off the production line in China this year. It closes the gap between the Fabia and the Octavia and increasingly appeals to younger customer groups with its dynamic and fresh design. The city version of the ŠKODA Yeti is ideal for the urban jungle. The locally produced compact SUV meets Chinese customers' wishes for even more space with a six centimeter longer wheelbase.

Porsche celebrated the world premiere of the GTS versions of the Boxster and the Cayman. The two most powerful and fastest vehicles in Porsche's mid-engine series set new sporty benchmarks in their segment. The six-cylinder Boxer engines are based on the 3.4 l Boxster S and Cayman S engines and were optimized to deliver outputs of 243 kW (330 PS) and 250 kW (340 PS) respectively. Both vehicles are also equipped with the Sport Chrono Package as standard for a sporty tuned chassis. Alongside the GTS sports cars, Porsche presented four exclusive new models for the Chinese market, Porsche's second largest single market after the USA, including the Porsche Macan with a four-cylinder engine.

The Bentley brand incorporated plug-in hybrid technology into one of its vehicles for the first time. The Bentley Hybrid Concept is based on the Mulsanne flagship and is up to 25% more powerful with 70% less CO_2 emissions. Bentley aims to launch its SUV as the first series-produced hybrid model from 2017 before gradually rolling out this technology to the entire model portfolio. Over 90% of vehicles should be available as a plug-in hybrid by the end of the decade. The Bentley Flying Spur V8, the Continental GT Speed and the Continental GT V8 S models celebrated their Chinese premieres in Beijing.

Lamborghini unveiled the Aventador LP 700-4 "Nazionale" configuration from its Ad Personam personalization program at the Auto China. The model features special exterior body paint and a stripe in the colors of the Italian flag, which extends from the bonnet over the roof to the rear wing. The model features an exclusive two-tone interior with striking topstitching on the seats and an Italian flag embroidered on the backrest. The Huracán also made its Asian debut in Beijing.

The Bugatti Veyron 16.4 Grand Sport Vitesse "Black Bess" is the fifth model from the "Les Legendes de Bugatti" series and is reminiscent of the most spectacular vehicle in the company's history – the Type 18 "Black Bess". It was among the first super sports cars in the 1910s, its top speed of around 160 km/h making it one of the fastest street-legal cars.

Ducati presented its new entry-level superbike, the 109 kW (148 PS) 899 Panigale, which will expand the brand's Chinese offering from summer 2014. Ducati is currently developing a long-term strategy for the Chinese market based on the Audi brand's experiences.

Auto Mobil International (AMI) Leipzig

The Volkswagen Passenger Cars brand celebrated the world premiere of the European version of the Golf Edition at the AMI in Leipzig. The premium special model had been presented as a study in Beijing and commemorates the 40th anniversary of the best-selling vehicle, combining signature Golf features with exclusive premium-class elements. The exterior features xenon headlights with daytime running lights, machine-polished 17-inch wheels and tinted windows. Inside, the model captivates with its Alcantara leather seats and illuminated door sill plates. The Golf Edition is completed by infotainment functions and assistance systems such as blind spot detection. Volkswagen Passenger Cars also presented the special-edition Beetle Cabriolet Karmann for the first time. The vehicle is a nod to the Osnabrück body shell manufacturer that produced the Beetle Cabriolet between 1949 and 1980. The Touareg made its European debut in Leipzig, while the Golf GTE with a plug-in hybrid drive, the new Scirocco and Beetle Dune study with striking offroad styling made their first appearances in Germany.

Audi unveiled the new "S" version of the A7 to the world in Leipzig – a car that embodies the brand's sporty spirit. Its powerful 4.0 l V8 engine with 331 kW (450 PS) and cylinder deactivation technology take the model into sports car territory. The TT and the TTS also celebrated their German debut.

The SEAT brand showcased the fastest and most powerful model in the company's history in Leipzig – the Leon CUPRA. The CUPRA's 206 kW (280 PS) TSI engine propels the car from 0 to 100 km/h in 5.7 seconds.

ŠKODA presented its Vision*C* study for the first time in Germany and Porsche revealed its Cayman GTS to the European public for the first time.

Volkswagen Commercial Vehicles showcased a wide range of vehicles and also gave AMI visitors the chance to test drive the latest models on the exhibition grounds. The Amarok demonstrated its off-road credentials on a specially built obstacle course.

Lake Wörthersee GTI festival

Volkswagen saw the real world collide with the virtual one at the annual GTI fan festival at Lake Wörthersee in Austria: the GTI Roadster study, which was originally developed for the video game Gran Turismo 6, celebrated its real-world premiere at Lake Wörthersee. The open-top two seater features a twin turbocharged 370 kW (503 PS) V6 engine, which takes arguably the most spectacular GTI of all time from 0 to 100 km/h in only 3.6 seconds. A group of vocational trainees from the main production facility in Wolfsburg also unveiled the Golf GTI Wolfsburg Edition in Austria. Inspired by the 40th anniversary of the Golf, the young employees created their dream GTI with the study: absolute red paint, decorative black stripes with a red Wolfsburg skyline and sporty attachments in high-gloss black. The interior picks up on the color concept, incorporating the plaid pattern that characterizes the GTI. The concept vehicle is completed by a 279 kW (380 PS) 2.0 l TSI engine and a high-end sound system. Vocational trainees from the Zwickau plant and from ŠKODA's Mladá Boleslav location also presented vehicles.

Audi wowed Wörthersee visitors with two show cars: the Audi A3 clubsport quattro concept is an impressive example of how much sporty potential the A3 family has. The vehicle is based on the S3 saloon and can accelerate from 0 to 100 km/h in 3.6 seconds. Its 2.5 TFSI engine has an output of 386 kW (525 PS) thanks to extensive modifications. The dynamic Audi TT quattro sport concept, which made its debut at the Geneva Motor Show, wears its racing pedigree on its sleeve with lightweight body construction, a fixed rear wing and low racing seats with four-point seat belts, showing the TT series from its sportiest side.

Vienna Motor Symposium

The Volkswagen Group's showing at the 35th Vienna Motor Symposium was underlined by the motto "performance and efficiency": as well as progressively reducing CO_2 emissions, drivetrain development also focuses on driving pleasure. Visitors gained first impressions of the new twin turbocharged 2.0 l TDI engine for the new Passat and the 2.0 l TSI engine for the sporty members of the Golf family. As announced last year, Volkswagen also unveiled a fuel-saving ten-speed direct shift gearbox. Another highlight was the new three-cylinder engine for A0 and A class vehicles. The Group also provided information on the progress made in natural gas drives and in the electrification of its portfolio.

AWARDS

The Volkswagen Group and its brands received a large number of prizes and awards in the second quarter of 2014.

The Leon ST and the Alhambra from SEAT, the Panamera and the new Macan from Porsche, the Yeti from ŠKODA and the e-up! from the Volkswagen Passenger Cars brand claimed a total of six first places in the road tests conducted by specialist journal "Firmenauto" in April 2014. The prizes were awarded in 11 categories, each with an overall and imports ranking. 280 fleet managers took part in the selection process, testing 71 different models and clocking up over 50,000 kilometers in around 2,000 test drives.

Also in April 2014, the Audi A3 was named "World Car of the Year 2014". It was selected as the winner out of 24 vehicles by a jury of 69 motor industry journalists from 22 countries.

The ŠKODA Octavia estate 4x4 and the ŠKODA Yeti 4x4 were named the "All-wheel drive car of the year 2014" in their respective categories in the reader poll conducted by specialist journal "Auto Bild Allrad" in April 2014. The ŠKODA models came up trumps in ten categories against around 170 vehicles.

Bentley's Mulsanne was awarded the title of "Best Luxury Car" in the Telegraph Motoring Awards in May. Vehicles were ranked by members of the public in an online poll.

The Volkswagen Passenger Cars brand celebrated a double victory in the J.D. Power customer satisfaction study in May. The Touareg and the up! received the highest satisfaction levels in their respective vehicle categories and were rewarded with first place. The results are based on an online survey of around 18,000 vehicle owners on their experiences with the vehicles over the past two years. The survey measures customer satisfaction in terms of quality, appeal, service and maintenance costs.

In May 2014, the XL1 was honored with the title of "Design of the Year" in the "Transport" category by the Design Museum London. The XL1 won over the jury with its unique lightweight construction, efficiency and design.

The Volkswagen Group was named the world's most innovative automotive company in the AutomotiveINNOVATIONS Award 2014 presented by the Center of Automotive Management in May 2014. New vehicle technologies that benefit customers and that are already available or at least have been presented in prototypes were analyzed across 53 brands from 18 automotive groups. Volkswagen achieved the highest score of any one group since the first analysis in 2005: 229 innovations and an innovation ranking of 186 index points.

Two Volkswagen Group brands were awarded the "Deutscher Ideen Preis 2014" ("German Ideas Prize 2014") in May 2014. The German Institute for Business Management cited the clear methodology and holistic approach of the Volkswagen Passenger Car brand's "mach18.FACTORY" production strategy, as well as the knowledge transfer across locations, as the reasons for its choice. Audi received the prize for the best ideas management in the automotive industry. The jury's assessment focused on the improvements suggested by employees and their implementation and participation rates.

Two Volkswagen Group brands also received the "International Engine of the Year Award 2014" in June 2014. Volkswagen's 1.4 l TSI twincharger won the 1.0 to 1.4 l category for the ninth time in succession, making it the most successful powertrain in the history of the international engine technology competition. Audi's 2.5 l TFSI engine secured the brand's fifth consecutive win in the 2.0 to 2.5 l category. Over 80 international motor industry journalists assessed personal driving experience, fuel economy, noise levels and power, among other things.

Also in June 2014, Volkswagen Commercial Vehicles received the "OFF ROAD Award" from the magazine of the same name. The Amarok was named the overall winner of its category.

The e-Golf took top honors in both the main category for production models and the "Range Award" category of the "WAVE TROPHY 2014", the world's largest electric vehicle rally, which was held in June. It demonstrated its capabilities in alpine terrain, achieving the best efficiency and range over the different stages of the rally, some of them more than 200 km long.

Audi, Lamborghini, Porsche and Volkswagen achieved top rankings in various employer studies. A large part of the 26,000 economics and engineering students surveyed by research institute trendence in April 2014 cited the Audi, Porsche and Volkswagen brands as their preferred employer. A ranking published by consulting firm UNIVERSUM confirmed that Audi is the most desirable employer among engineering and business/economics graduates. The study was based on a survey of over 30,000 graduates from 140 universities. In May, Lamborghini was voted the "Best Employer of Choice" by Italian university graduates. They cited career development opportunities, the working environment and the brand's appeal as the reasons for their choice.

In April 2014, Audi received a DEKRA report on the calculation of its carbon footprint, which was certified in accordance with ISO 14064. The report confirmed the emissions calculated for the entire life cycle of its models. Audi can use the carbon footprint to make its company-wide greenhouse gas emissions more transparent in order to analyze them more accurately and reduce them.

The Volkswagen Group received the "Gold Medal Award 2013 for Sustainable Development" in May 2014. The non-profit World Environmental Center recognized Volkswagen's achievements in sustainable development and environmentally-conscious business practices with the prize. The jury highlighted the Volkswagen Group's understanding of sustainability as a strategic goal and its exemplary implementation.

The Volkswagen Group was named the "Company of the Year 2013" by the Schutzgemeinschaft der Kapitalanleger e.V. (German Association for the Protection of Investors) in May 2014. Key to the Group's success was the continuous growth in the value of Volkswagen's operating business combined with a shareholder-friendly dividend policy.

ANNIVERSARIES

Volkswagen's Emden plant celebrated its 50th anniversary at the beginning of April 2014. The start of production of the new Passat on the basis of the Modular Transverse Toolkit marks the beginning of a new era for the lead plant for the Passat. Volkswagen will invest €1 billion in the Emden plant by 2018 to make it future-ready.

Also in April, SEAT celebrated the 30th anniversary of its best-selling car – the SEAT Ibiza. Approximately five million vehicles have been sold around the world since the model was launched at the Paris Motor Show in 1984. This makes the SEAT Ibiza the Spanish brand's best-selling model, and at the same time the market leader in its segment in Spain for almost 15 years. As the first vehicle to be developed completely independently by the brand, it is also a milestone in the company's history. SEAT commemorated the anniversary with the special-edition Ibiza SC 30 Years.

MAN celebrated the 50th anniversary of the Salzgitter plant, which produces trucks and buses, on June 27, 2014. The event was marked with a family day. A highlight of the day was the behind-the-scenes look at the new logistics center.

DOUBLE VICTORY AT LE MANS FOR AUDI

Audi claimed a double victory at the legendary 24 Hour Le Mans race, finishing in first place for the 13th time out of 16 appearances. The winning trio – Marcel Fässler, André Lotterer and Benoit Treluyer – took the checkered flag in their R18 e-tron quattro despite strong competition and adverse weather conditions, followed by defending champion Tom Kristensen and his team. Audi took first place for the fifth year in succession and also clocked the fastest lap.

Porsche returned to top flight motorsport after 16 years – the FIA World Endurance Championship including Le Mans in the top-tier LMP1 category – taking part in the 82nd running of arguably the toughest car race in the world with two innovative 919 hybrids. The supercars, which took two years to develop, impressed with their spectacular looks and pioneering technology. The two Porsches missed out on a podium finish despite a strong debut showing and leading over 30 laps. Porsche was the only manufacturer to take to the Le Mans starting line with two works teams in two categories; Porsche placed third in the GTE Pro class.

VOLUNTARY TENDER OFFER FOR SCANIA SUCCESSFUL

On May 13, 2014, Volkswagen announced that the voluntary tender offer starting on March 17, 2014 for all Scania shares would be completed since all of the conditions – including becoming the owner of more than 90% of all Scania shares – had been fulfilled. As of June 30, 2014, Volkswagen held a 99.57% interest in Scania's capital and 99.66% of the voting rights. The squeeze-out for the Scania shares not tendered in the offer has been initiated and Scania's shares were delisted from the NASDAQ OMX in Stockholm at the end of June 5, 2014. Volkswagen aims to create a leading commercial vehicles group through close operational cooperation between Scania, MAN and Volkswagen Commercial Vehicles.

SUCCESSFUL CAPITAL INCREASE PLACED

On June 3, 2014, the Board of Management of Volkswagen AG resolved, with the consent of the Supervisory Board, to increase the Company's capital by issuing new preferred shares from authorized capital against cash contributions, while disapplying shareholders' preemptive rights. The implementation of the capital increase increased the share capital in accordance with the Articles of Association by a notional amount of approximately €26.8 million to approximately €1.2 billion. The placement price of the 10,471,204 new preferred shares was set at €191.00 per share, generating gross proceeds of €2.0 billion.

A syndicate of banks undertook to subscribe for all of the new shares and place them with institutional investors in Germany and other countries, including a private placement for qualified institutional investors in the USA.

The new shares carry full dividend rights retrospectively from January 1, 2014. The issue proceeds will serve to partially refinance the voluntary tender offer made to the shareholders of Scania AB.

ANNUAL GENERAL MEETING

The 54th Annual General Meeting and the 12th Special Meeting of Preferred Shareholders of Volkswagen AG were held at the Hanover Exhibition Grounds on May 13, 2014. With 92.45% of the voting capital present, the ordinary shareholders of Volkswagen AG formally approved the actions of the Board of Management and the Supervisory Board and the conclusion of intercompany agreements. They also elected PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Hanover, as the auditors for fiscal year 2014 and as the auditors to review the condensed financial statements and interim management report for the first six months of 2014. The scheduled terms of office of Dr. Hans Michel Piëch and Dr. Ferdinand Oliver Porsche expired at the end of the Annual General Meeting. The Annual General Meeting elected them both to the Supervisory Board for a further full term of office. In addition, Mr. Ahmad Al-Sayed, who was previously appointed to the Supervisory Board by the court, was elected to the Supervisory Board for a full term of office. The Annual General Meeting also resolved to distribute a dividend of €4.00 per ordinary share and €4.06 per preferred share for fiscal year 2013.

Volkswagen Shares

The price volatility experienced in the international equity markets in the first three months of 2014 continued into the beginning of the second quarter. Better-than-expected economic data from China and hopes that the Federal Reserve would continue its expansionary monetary policy had a stabilizing effect on prices. However, the recovery was curbed by sustained anxiety over the crisis in Ukraine, weak quarterly figures from the USA and concerns about continued volatile exchange rates in developing economies. Largely healthy corporate results in the eurozone, the European Central Bank's decision to continue its loose monetary policy and positive economic data from the USA led to price increases in mid-April. Buoyed by this news, the DAX closed at a new high of 10,029 points on June 10, 2014. Prices eased off slightly towards the end of the reporting period. Among other things, capital market participants were unnerved by the increasingly strained political situation in Iraq and continuing tensions resulting from the Ukraine crisis.

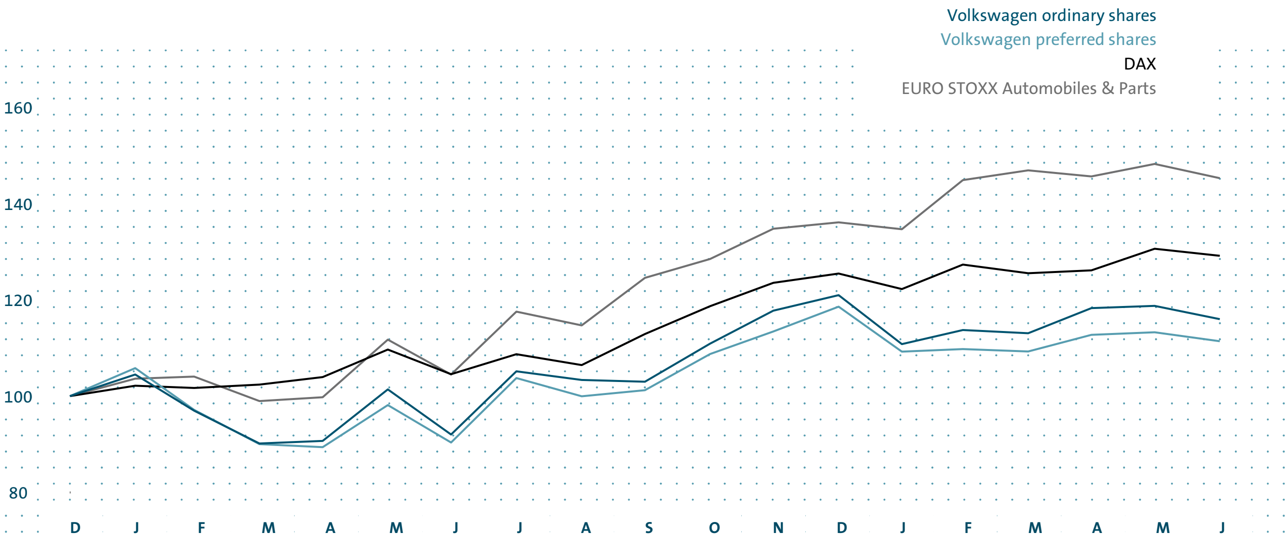
The DAX closed at 9,833 points at the end of June 2014, up 2.9% on the level at the end of 2013. The EURO STOXX Automobiles & Parts stood at 490 points, up 6.7% compared with the 2013 closing price.

Volkswagen AG's preferred and ordinary share prices were unable to escape the equity market volatility in the reporting period. Due in particular to the positive response to the Group's sales figures for Q1 2013, increases were seen at the beginning of April. Volkswagen share prices retreated again until mid-May, and remained below the positive trend of the market as a whole. Among other reasons, this was due to the completion of the voluntary tender offer for all Scania shares. As May progressed, Volkswagen's shares benefited from the upward movement of the DAX, and their price also increased. Compared with the preferred shares, the price of ordinary share grew at a slightly faster pace. Volkswagen AG implemented a capital increase at the beginning of June, issuing new preferred shares from authorized capital against cash contributions. Both classes of shares moved sideways as June progressed, before again declining in lockstep with the market towards the end of the reporting period.

Volkswagen's preferred shares reached their highest daily closing price in the first six months of 2014 (€203.35) on January 17, 2014, hitting their lowest closing price of €177.75 on March 14, 2014. At the end of June, the preferred shares closed at €191.80, down 6.0% on the end of 2013. Volkswagen AG's ordinary shares also reached their highest closing price in the reporting period – €197.35 – on January 17, 2014. The shares hit their lowest daily closing price on March 24, 2014 at €172.10. The ordinary shares ended the first six months of the year at €188.80; this was a decrease of 4.1% as against the end of 2013.

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

SHARE PRICE DEVELOPMENT FROM DECEMBER 2012 TO JUNE 2014
Index based on month-end prices: December 31, 2012 = 100



Business Development

GENERAL ECONOMIC DEVELOPMENT

The global economy continued its slight recovery in the first half of 2014, although its strength has been mixed in the different regions. The economic situation in the industrialized nations improved despite the continued presence of structural obstacles. Economic growth in a number of emerging economies slowed due to currency fluctuations and structural deficits.

Western Europe's economic recovery continued in the first six months of 2014. The northern European countries returned to a moderate growth path, while there were signs that the recession is coming to an end in most of the crisis-hit southern European countries.

The German economy reinforced its upward trend in the first six months of 2014, benefiting in particular from the continued positive consumer sentiment and the stable situation on the labor market.

Economic growth was also positive in Central Europe in the reporting period. However, sentiment deteriorated in Eastern Europe due to the political tensions between Russia and Ukraine.

South Africa's economic situation continued to be impacted by structural deficits and social conflict between January and June 2014. GDP growth decreased on the already low prior-year period level.

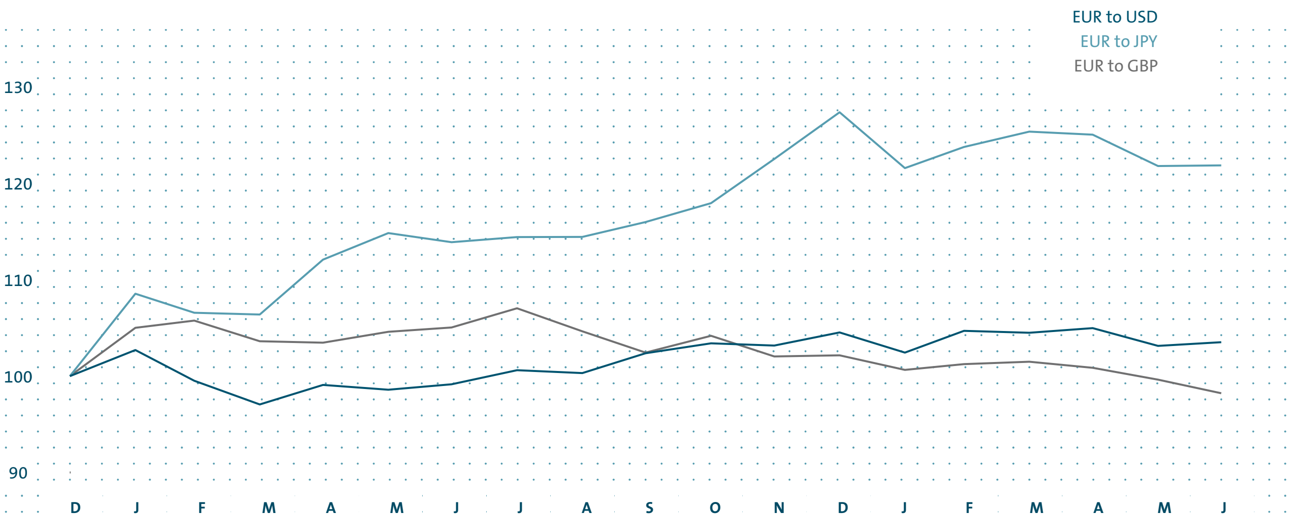
Despite the difficult weather-induced conditions at the beginning of the year, the US economy continued its recovery at a slightly stronger pace in the following months. The easing unemployment rate and positive consumer sentiment boosted the economy. Economic development in Mexico was positive, but remained muted compared with previous years.

Growth in Brazil was below prior-year levels in the first six months of 2014. Recessionary trends and sustained very high inflation impacted the situation in Argentina.

The Chinese economy continued to record robust growth in the reporting period, with slightly declining momentum. India's economic growth was curbed by sustained cautious investment spending due to regulatory and financial uncertainties, and a large number of structural deficits. Japan's economy continued to stabilize on the back of fiscal and monetary policy measures taken to revive economic activity.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2012 TO JUNE 2014

Index based on month-end prices: December 31, 2012=100



TRENDS IN THE PASSENGER CAR MARKETS

Global demand for passenger cars continued to grow between January and June 2014, despite a slight slowdown and mixed trends at a regional level. While the number of new registrations in the Asia-Pacific region, Western Europe, North America and Central Europe increased year-on-year, overall market demand in South America in particular as well as Eastern Europe was lower than in the first half of 2013. The weak currencies of key emerging economies pushed prices up and thus put pressure on demand.

Signs of stabilization in the passenger car markets continued in Western Europe. Despite increased sales in the first six months of 2014, overall the markets remain at a low level. While the positive economic environment in the United Kingdom and Spain's continuation of its government purchase incentives led to double-digit growth rates for new passenger car registrations, France and Italy recorded growth in the reporting period at a level only slightly exceeding last year's weak figures.

Growth in new registrations in Germany slowed as the year progressed. Demand was underpinned by commercial purchases and the stable macroeconomic environment.

In the period January to June 2014, the markets for passenger cars in Central and Eastern Europe were mixed. While the number of new registrations in Central Europe grew significantly, overall passenger car sales in Eastern Europe saw a sharp decline. Sales in Russia and Ukraine in particular recorded a significant decrease due to the political tensions in recent months.

South Africa saw a continuation of the downward sales trend observed since the fourth quarter of 2013. Coupled with weak consumer sentiment, higher interest rates and mobility costs led to a decline in the market.

In North America, the automotive market showed further improvement on the prior-year period. After weak sales caused by the extreme weather conditions at the start of the year, sales in the USA were boosted by backlog effects, attractive financing conditions and continuing high replacement demand. Demand was particularly strong for models in the SUV and pickup segments. Market volumes also increased in Canada, whereas sales stagnated in Mexico on a level with the strong prior-period figures.

The number of new passenger car registrations in South America in the first six months of 2014 was significantly below the prior-year figure, and the decline in demand accelerated further in recent months. In Brazil, the generally weaker economic environment, higher vehicle prices and less favorable financing conditions had a negative impact on market trends. The market collapse in Argentina compared with the record level in the prior-year period was mainly attributable to the tax increase on higher-value passenger car purchases at the beginning of the year, together with buyer reluctance due to decreasing real incomes and sharp increases in interest rates.

Demand for passenger cars in the Asia-Pacific region recorded the world's highest absolute increase from January to June 2014. By far the highest increase in market volumes was recorded in China, the world's largest single market. In particular, models in the SUV segment recorded higher-than-average growth rates. Passenger car sales in India were down slightly year-on-year in the reporting period. The market was able to recover to some extent in the second quarter due to the temporary cut in excise tax – for vehicles, among other things – initially until June 30, 2014. In Japan, new passenger car registrations remained high. However, growth slowed at the end of the reporting period due to the VAT increase effective April 1, 2014.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

Global demand for light commercial vehicles rose moderately year-on-year in the period from January to June 2014.

Light commercial vehicle sales in the Western European market exceeded the prior-year figures in the period under review on the back of economic stabilization in Western Europe. Countries such as Italy or Spain, which continue to be impacted by the debt crisis, saw in part considerable market growth.

In Central and Eastern Europe, demand for light commercial vehicles was mixed in the first half of 2014. While many markets – including the Czech Republic, Croatia and Hungary – recorded double-digit growth rates as against the previous year, demand declined in Russia and Ukraine due mainly to political tensions and their economic impact.

In North America, the number of new registrations for light commercial vehicles in the first six months of 2014 was higher than in the previous year.

Ongoing difficult economic conditions in South America led to a decrease in light commercial vehicle sales in the region's core markets in the period under review. However, Brazil exceeded the 2013 figure thanks to higher demand for new SUVs, which are included in light commercial vehicles in this market. The rise in the number of new SUVs registered in Argentina was unable to compensate for the decline in demand for light commercial vehicles triggered by the tax hike on higher-value vehicles at the beginning of the year.

Demand in China, the dominant market for light commercial vehicles in the Asia-Pacific region, rose year-on-year in the first half of 2014. The Indian market was negatively impacted by weak economic growth and persistently high inflation; demand fell considerably as against the prior-year period. In Japan, demand for light commercial vehicles increased in the reporting period compared with January to June 2013 as a result of pull-forward effects from a VAT increase as of April 1, 2014. Demand for light commercial vehicles in the ASEAN region was mixed. While a number of small markets saw strong growth, demand in Thailand declined after government incentive programs expired.

Global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes fell short of the 2013 figure in the first six months of 2014.

New vehicle registrations in the Western European market were on a level with the previous year. Sales were up significantly year-on-year in Germany, the largest market in Western Europe.

New vehicle registrations in Central and Eastern Europe declined appreciably as against the previous year. The figure for Russia was down significantly year-on-year due to the weak ruble and difficult financing conditions caused by the tense political situation.

In North America, demand in the period from January to June 2014 clearly exceeded the prior-year figure. The truck market experienced a growth trend due to increased construction activities and higher demand for replacement vehicles in the heavy truck segment.

The number of new vehicle registrations in South America was well below the 2013 figure in the first half of 2014. Vehicle sales in the Brazilian truck market were down significantly year-on-year as a result of the deterioration in the macroeconomic environment and more restrictive financing conditions.

The Asia-Pacific region – excluding the Chinese market – saw sales decline in the reporting period. Weak economic growth and high interest rates led to a considerable contraction of the Indian market. By contrast, demand in the world's largest truck market, China, was up slightly year-on-year in the first six months of 2014. This trend was buoyed by the delay in implementing the most recent emission standards.

New bus registrations worldwide were down on the previous year in the first half of 2014.

TRENDS IN THE MARKETS FOR POWER ENGINEERING

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

The market situation for large merchant ships – such as container and freight ships – continued to be tense due to overcapacity. Demand for four-stroke engines for merchant and special ships remained stable in the first half of 2014. Overall, the market for marine engines saw a slightly positive trend compared with the same period of the previous year.

In particular in developing countries and emerging markets, the need for energy generation facilities remained high, with a strong trend towards greater flexibility and decentralized availability. The global trend towards using gas as a fuel continued. Order placements were delayed for larger projects in particular, due to exchange rate fluctuations and difficult financing conditions for customers. Compared with the first half of 2013, the market for power generation as a whole was stable.

The turbomachinery market is mainly dominated by contracts awarded in connection with global investment projects in oil and chemical facilities. Project volumes remained high in the oil and gas industry; however, competitive pressure rose as a result of the unfavorable trend affecting the US dollar and the yen in particular. Demand for turbomachinery in the processing industry remained at a low level between January and June 2014, increasing the existing strong competitive pressure still further due to currency-related factors. The overall market for turbomachinery declined slightly compared with the same period of the previous year.

DEMAND FOR FINANCIAL SERVICES

Global demand for automotive-related financial services was strong in the first half of 2014. Business with financial services products was buoyed by the positive overall performance in Germany and the signs of recovery in Western and Central Europe.

In North America, demand for financial services was down slightly on the previous year.

Sales volumes for financial services did not quite meet the prior-year level in South America against declining demand in the automotive markets.

Demand for financial services in the Asia-Pacific region, and in China in particular, was higher than in the previous year – in some areas significantly so.

In the truck and bus business, demand for financial services products in South America and Asia-Pacific (excluding China) remained under pressure. By contrast, North America and China saw volumes increase year-on-year.

VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered 5,065,658 vehicles to customers in the first half of the year; this corresponds to 268,311 vehicles or 5,6% more than in the same period of 2013. Deliveries exceeded the corresponding prior-year figures in all six months of 2014. Separate details of deliveries of passenger cars and commercial vehicles are provided in the following.

VOLKSWAGEN GROUP DELIVERIES FROM JANUARY 1 TO JUNE 30*

	2014	2013	%
Passenger cars	4,751,867	4,467,882	+ 6.4
Commercial vehicles	313,791	329,465	−4.8
Total	**5,065,658**	**4,797,347**	**+ 5.6**

* Deliveries for 2013 have been updated to reflect subsequent statistical trends. Includes the Chinese joint ventures. The Saveiro model is reported as a passenger car retrospectively as of January 1, 2013.

PASSENGER CAR DELIVERIES WORLDWIDE

We sold 4,751,867 passenger cars worldwide in the reporting period, an increase of 6.4% compared with the record level in the first half of 2013. The Volkswagen Passenger Cars (+3.8%), Audi (+11.4%), ŠKODA (+12.5%) and Porsche (+7.6%) brands recorded new highs. Since the market as a whole only grew by 4.7% in the first six months, we were able to extend our market position and gain additional market share. Demand for our vehicles grew in the Asia-Pacific region and in Europe.

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

Our deliveries to customers in the growing passenger car market in Western Europe increased by 7.1% year-on-year to 1,519,724 units in the period from January to June 2014. All major markets in the region saw higher delivery figures year-on-year for Volkswagen Group vehicles; the Polo, Golf, Tiguan, Audi A3, ŠKODA Octavia, SEAT Ibiza and SEAT Leon models were in particularly high demand. The Porsche Macan was successfully launched in the market. Our share of the passenger car market in Western Europe was 24.7% (24.7%).

In Germany, the Volkswagen Group sold 5.2% more vehicles in the reporting period than in the previous year; the market as a whole grew by 2.4% in the first six months. The Golf, Touran, Tiguan, Audi A3, ŠKODA Rapid, ŠKODA Octavia and Porsche 911 coupé models recorded high growth rates. A total of six Volkswagen Group vehicles led the Kraftfahrtbundesamt (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the up!, Polo, Golf, Passat, Touran and Tiguan. The Golf was also the most popular passenger car in Germany in the first half of 2014 in terms of registrations.

The Volkswagen Group delivered a total of 6.3% more vehicles year-on-year in Central and Eastern European markets in the first six months of 2014. While we recorded significant growth in Poland and the Czech Republic, sales in Russia and Ukraine declined, particularly as a result of the political tensions. Demand was high for the Polo, Golf, Audi A3 and Audi Q3 models, as well as for the ŠKODA Rapid, Yeti and Octavia models. At 17.4% (15.9%), the Group’s market share was higher than in the previous year.

In the declining South African market, Group deliveries to customers decreased by 8.8% year-on-year in the reporting period. The Golf and Audi A3 models saw an increase in demand.

Deliveries in North America

The Volkswagen Group sold 3.2% fewer vehicles year-on-year in North America in the reporting period; the market share amounted to 4.4% (4.8%). The Jetta remains the Group’s bestselling model in North America.

In the USA, the market as a whole grew by 4.4% in the first half of 2014, with this increase being driven mainly by the pickup and the SUV segment, while most other segments were flat. The Volkswagen Group delivered 5.3% fewer vehicles than in the previous year. Demand for the Audi A3, Audi A6, Audi Q5, Audi Q7 and the Porsche 911 coupé and Panamera models was higher than in 2013.

After deliveries to customers in the Canadian market declined in the first quarter of 2014, they rose significantly in the second quarter and were up by a total of 1.6% on the prior-year figure in the reporting period. Demand was particularly high for the Jetta, Tiguan, Passat, Audi A4 and Audi Q5 models.

Group sales in Mexico exceeded the 2013 figure by 1.6% in the first six months of the year. The Polo, Audi A3, SEAT Toledo and SEAT Leon models recorded high growth rates.

Deliveries in South America

The highly competitive South American markets were dominated by increasingly difficult conditions in the first half of 2014. The Volkswagen Group delivered 20.2% fewer vehicles year-on-year to customers in that period. The Volkswagen Group’s share of the passenger car market decreased to 17.4% (19.3%) overall.

In Brazil, we handed over 15.4% fewer vehicles to customers than in the previous year. Demand increased for the Golf, Audi A3 and Audi Q3 models. The up! was successfully launched in the market. The Gol remains the bestselling model in Brazil.

In the Argentinian passenger car market, the Group delivered 40,8% fewer vehicles in the reporting period than in the previous year. The Gol experienced the highest demand.

Deliveries in the Asia-Pacific region

We sold 15.9% more passenger cars year-on-year in the Asia-Pacific region between January and June 2014. The market as a whole only grew by 9.2% in the same period, meaning that the Group's market share in this region increased to 13.3% (12.6%).

Growth in the Asia-Pacific region was again driven by the passenger car market in China. The Volkswagen Group delivered 17.5% more vehicles to customers there than in the previous year. The Jetta, Lavida, Magotan, Santana, Tiguan, Audi Q3, ŠKODA Rapid and Porsche Panamera models recorded high growth rates.

We delivered 9.6% more vehicles to the Japanese passenger car market in the first six months of the year than in the same period in 2013, while the market as a whole grew by 11.0%. The Polo, Golf and Audi A3 models were particularly popular with Japanese customers.

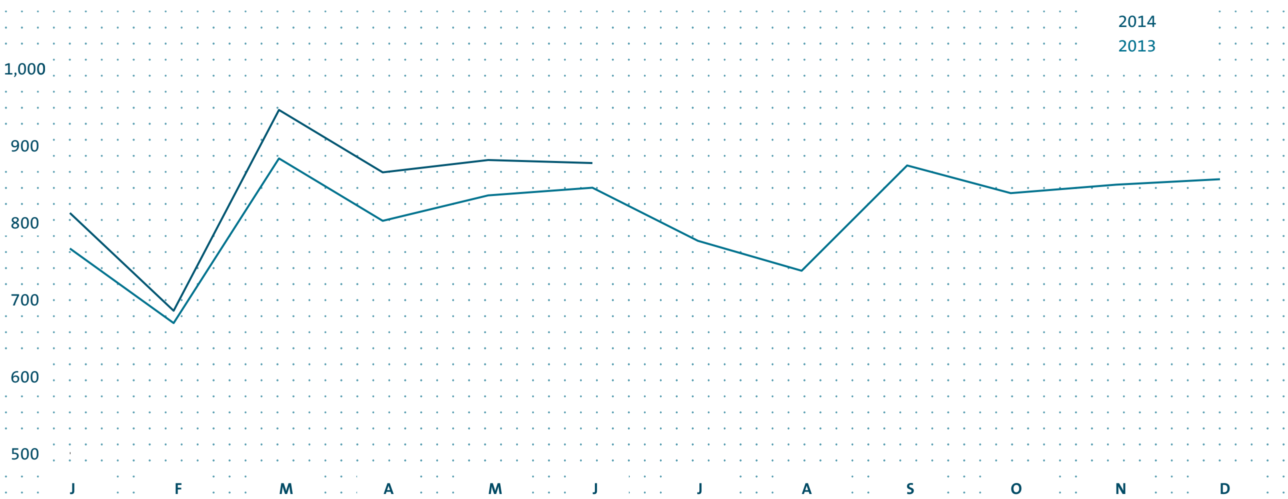
Our sales in the declining Indian passenger car market were down 33.6% year-on-year. The Polo was the most sought-after Group model. The Audi Q3 and the ŠKODA Octavia recorded encouraging growth.

PASSENGER CAR DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY 1 TO JUNE 30*

	DELIVERIES (UNITS)		CHANGE
	2014	2013	(%)
Europe/Other markets	**2,011,940**	**1,902,794**	**+ 5.7**
Western Europe	**1,519,724**	**1,418,546**	**+ 7.1**
of which: Germany	557,218	529,891	+ 5.2
United Kingdom	265,998	233,993	+ 13.7
France	132,292	129,583	+ 2.1
Spain	115,427	97,381	+ 18.5
Italy	104,002	96,744	+ 7.5
Central and Eastern Europe	**312,504**	**294,036**	**+ 6.3**
of which: Russia	130,633	142,213	−8.1
Poland	52,853	38,053	+ 38.9
Czech Republic	50,253	39,763	+ 26.4
Other markets	**179,712**	**190,212**	**−5.5**
of which: Turkey	52,757	55,528	−5.0
South Africa	49,603	54,418	−8.8
North America	**421,981**	**435,882**	**−3.2**
of which: USA	287,952	303,925	−5.3
Mexico	89,726	88,344	+ 1.6
Canada	44,303	43,613	+ 1.6
South America	**330,701**	**414,530**	**−20.2**
of which: Brazil	262,286	310,156	−15.4
Argentina	49,451	83,560	−40.8
Asia-Pacific	**1,987,245**	**1,714,676**	**+ 15.9**
of which: China	1,811,195	1,541,778	+ 17.5
Japan	53,981	49,254	+ 9.6
India	32,651	49,175	−33.6
Worldwide	**4,751,867**	**4,467,882**	**+ 6.4**
Volkswagen Passenger Cars	3,065,828	2,953,613	+ 3.8
Audi	869,355	780,467	+ 11.4
ŠKODA	522,499	464,595	+ 12.5
SEAT	200,153	182,181	+ 9.9
Bentley	5,254	4,279	+ 22.8
Lamborghini	956	1,166	−18.0
Porsche	87,803	81,565	+ 7.6
Bugatti	19	16	+ 18.8

* Deliveries for 2013 have been updated to reflect subsequent statistical trends. Includes the Chinese joint ventures. The Saveiro model, which is sold mainly in South America, is reported in the Volkswagen Passenger Cars brand retrospectively as of January 1, 2013.

VOLKSWAGEN GROUP DELIVERIES BY MONTH
Vehicles in thousands



COMMERCIAL VEHICLE DELIVERIES

The Volkswagen Group delivered a total of 313,791 commercial vehicles to customers worldwide in the first half of 2014, 4.8% fewer than in the prior-year period. Of these, 86,066 units were trucks (–5.5%) and 9,960 were buses (–15.1%). Volkswagen Commercial Vehicles delivered 217,765 light commercial vehicles, falling 3.9% short of the prior-year figure. Scania increased its deliveries by 1.1% to 38,391 units. MAN delivered 57,635 vehicles to customers in the first six months of 2014, 11.1% fewer than in the same period of 2013.

In Western Europe, the Volkswagen Group benefited from the improved economic environment and from further new vehicle registrations of Euro 5 vehicles in the reporting period. We delivered a total of 175,201 commercial vehicles (+4.8%), of which 143,843 units were light commercial vehicles and 29,657 were trucks. The Caddy and the Transporter were the most sought-after Group models.

In Central and Eastern Europe, deliveries to the Group's commercial customers were on a level with the previous year at 31,389 units (–0.4%). Light commercial vehicles accounted for 18,818 units, and trucks for 12,247. The Transporter was in particularly high demand. Sales in Russia fell by 11.5% overall to 11,917 units due to the weak ruble and the more difficult financing conditions caused by the tense political situation.

In the Other markets, Group sales amounted to 33,320 units (–0.4%): 20,891 light commercial vehicles, 11,240 trucks and 1,189 buses.

In North America, demand for Volkswagen Group commercial vehicles increased by 962 units to 3,881 units, of which 2,907 were light commercial vehicles, 196 were trucks and 778 were buses.

In the first half of 2014, we handed over a total of 52,988 commercial vehicles (–32.6%) to customers in the South American markets, consisting of 20,064 light commercial vehicles, 27,938 trucks and 4,986 buses. The Caddy was the most sought-after light commercial vehicle. In Brazil, sales were negatively impacted by the deteriorating macroeconomic environment and the more difficult financing conditions. Commercial vehicle deliveries in Brazil amounted to a total of 38,761 units (–35.4%). Of these, 9,444 were light commercial vehicles, 25,198 were trucks and 4,119 were buses.

In the Asia-Pacific region, the Group sold 17,012 commercial vehicles (+7.8%), of which 11,242 were light commercial vehicles and 4,788 were trucks. The Amarok and the Transporter recorded the strongest growth in demand.

COMMERCIAL VEHICLE DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY 1 TO JUNE 30*

	DELIVERIES (UNITS)		CHANGE
	2014	2013	(%)
Europe/Other markets	**239,910**	**232,170**	**+ 3.3**
Western Europe	175,201	167,191	+ 4.8
Central and Eastern Europe	31,389	31,512	–0.4
Other markets	33,320	33,467	–0.4
North America	**3,881**	**2,919**	**+ 33.0**
South America	**52,988**	**78,597**	**–32.6**
of which: Brazil	38,761	59,972	–35.4
Asia-Pacific	**17,012**	**15,779**	**+ 7.8**
of which: China	2,871	2,585	+ 11.1
Worldwide	**313,791**	**329,465**	**–4.8**
Volkswagen Commercial Vehicles	217,765	226,632	–3.9
Scania	38,391	37,980	+ 1.1
MAN	57,635	64,853	–11.1

* Deliveries for 2013 have been updated to reflect subsequent statistical trends. The Saveiro model, which is sold mainly in South America, is reported in the Volkswagen Passenger Cars brand retrospectively as of January 1, 2013.

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 first six months of 2014, sales revenue in the Power Engineering segment was largely driven by Engines & Marine Systems and Turbomachinery, which together generated nearly three-quarters of the overall revenue volume.

GROUP FINANCIAL SERVICES

The products and services of Volkswagen Financial Services were in high demand in the first half of the year. The financial services business of MAN Finance International GmbH has been included in this division since January 1, 2014; the prior-year figures were adjusted accordingly. The number of new financing, leasing, service and insurance contracts signed worldwide was 2.3 million, an increase of 16.1% compared with the same period of the previous year. The total number of contracts increased to 11.5 million as of June 30, 2014, 13.0% more than at the reporting date in the previous year.

The number of new contracts in Europe rose by 19.1% to 1.6 million year-on-year from January to June 2014. At 8.0 million, the total number of contracts was 10.5% higher than in the previous year. The number of contracts in the Customer Financing/Leasing area was 4.5 million, an increase of 6.5%.

In North America, the number of contracts at the end of the first half of 2014 was 1.9 million, surpassing the figure at the prior-year reporting date by 14.2%. The Customer Financing/Leasing area accounted for 1.5 million contracts (+10.3%). The number of new contracts signed in the reporting period was 375 thousand, exceeding the prior-year figure by 4.4%.

In South America, 75 thousand new contracts (–52.5%) were signed in the first half of the year. The year-on-year decline is attributable to the lower sales figures as well as to the higher interest rates in Brazil, which had a negative impact on customer financing. The total number of contracts as of June 30, 2014 was 0.8 million, up 11.1% on the prior-year reporting date. Almost all contracts were attributable to the Customer Financing/Leasing area.

In the Asia-Pacific region, the number of new contracts in the reporting period was 235 thousand (107 thousand), more than double the prior-year figure. The total number of contracts at the end of the first half of 2014 was 765 thousand (+48.2%). Of this total, 647 thousand (+56.4%) were attributable to the Customer Financing/Leasing area.

SALES TO THE DEALER ORGANIZATION

Including the Chinese joint ventures, the Volkswagen Group sold 5,206,840 vehicles to the dealer organization from January to June 2014, 6.8% more than in the comparable prior-year period. The 7.2% increase in sales outside Germany is attributable to the buoyant growth in demand for Group models in the Chinese passenger car market and in other European countries. In Germany we benefited from the sustained market recovery, increasing sales by 4.3%. Vehicles sold in Germany accounted for 12.4% (12.7%) of overall sales.

PRODUCTION

The Volkswagen Group produced 5,234,123 vehicles worldwide in the first half of 2014, 7.1% more than in the prior-year period. Of this total, 1,313,629 vehicles were produced in Germany, thereby exceeding the prior-year figure by 4.8%. The proportion of vehicles produced in Germany declined from 25.6% to 25.1%.

INVENTORIES

The Group companies and dealer organizations recorded global inventories that were higher on June 30, 2014 than at year-end 2013 and at June 30, 2013.

NUMBER OF EMPLOYEES

The Volkswagen Group had 552,077 active employees on June 30 of this year. A further 8,276 employees were in the passive phase of their partial retirement, and 15,451 young people were in vocational traineeships. The Volkswagen Group had 575,804 employees worldwide at the end of the reporting period, up 0.5% on the number as of December 31, 2013. The expansion of the workforce is attributable to the increase in production volume and the recruitment of specialists and experts. At 262,187, the number of employees in Germany was 0.7% higher than the 2013 year-end figure; the proportion of employees in Germany remained on a level with the previous year, at 45.5%.

Results of Operations, Financial Position and Net Assets

On March 14, 2014, Volkswagen AG made a voluntary tender offer to Scania for all shares not previously held by Volkswagen either directly or indirectly. 36.93% of all Scania shares were acquired by the end of June 2014 on the successful completion of the offer. Volkswagen held 99.57% of Scania's share capital at the end of the reporting period; this corresponded to 99.66% of the voting rights. Volkswagen has initiated a squeeze-out for the remaining Scania shares. The transaction reduced equity by €6.7 billion. €6.5 billion was paid for the shares acquired in 2014; a liability was recognized in the balance sheet without affecting profit or loss for the shares to be acquired in the squeeze-out.

To partially fund the transaction, the Company resolved and implemented a capital increase in June 2014, under which new preferred shares were issued from authorized capital against cash contributions, while disapplying shareholders' preemptive rights. This increased the share capital by a notional €26.8 million and generated gross proceeds totaling €2.0 billion.

RESULTS OF OPERATIONS OF THE GROUP

The Volkswagen Group's sales revenue amounted to €98.8 billion in the first half of 2014, up slightly on the prior-year period (€98.7 billion). Clearly negative exchange rate effects were offset by higher volumes and improvements in the mix. The Volkswagen Group generated 79.6% (80.3%) of its sales revenue outside of Germany.

Gross profit in the period from January to June 2014 was €18.7 billion, €0.3 billion higher than in the previous year. The gross margin rose to 19.0% (18.6%). Exchange rate deterioration, higher depreciation charges resulting from significant capital expenditures and higher upfront investments in new products were offset by optimized product costs. Prior-year profit was impacted by contingency reserves.

The Volkswagen Group generated an operating profit of €6.2 billion (€5.8 billion) in the first half of 2014. The operating return on sales was 6.3% (5.9%).

Profit before tax rose by 17.5% year-on-year to €7.8 billion. Profit after tax improved by €0.9 billion to €5.7 billion.

RESULTS OF OPERATIONS IN THE AUTOMOTIVE DIVISION

The Automotive Division generated sales revenue of €87.0 billion (€87.5 billion) in the first six months. Positive volume and mix effects were unable to offset clearly negative exchange rate effects. Sales revenue in the Passenger Cars Business Area was up year-on-year but declined in the Commercial Vehicles/Power Engineering Business Area, mainly due to the difficult conditions in South America. As our Chinese joint ventures are accounted for using the equity method, the Group's positive business growth in the Chinese passenger car market is mainly reflected in the Group's sales revenue only by deliveries of vehicles and vehicle parts.

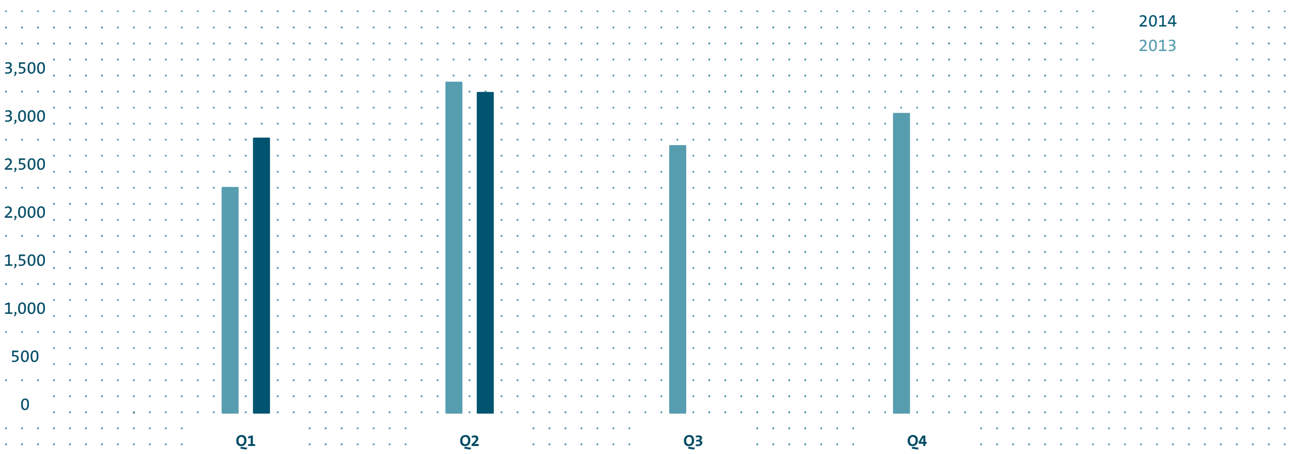
Gross profit in the Automotive Division rose by €0.1 billion to €16.0 billion. This was negatively affected by unfavorable exchange rate trends, increased depreciation charges as a result of high capital expenditures, greater fixed costs due to growth factors and higher research and development costs, in particular for new drive concepts, while improved product costs had a positive effect. The prior year had been impacted by contingency reserves in the areas of passenger cars and power engineering.

Distribution expenses increased by 4.8% in the reporting period. The ratio of distribution expenses to sales revenue also rose. Administrative expenses and the ratio of administrative expenses to sales revenue were up slightly year-on-year. Other operating income improved to €1.5 billion (€0.8 billion), mainly due to currency-related factors.

At €5.3 billion, the Automotive Division's operating profit exceeded the prior-year figure by €0.3 billion in the first half of 2014. The operating return on sales was 6.0% (5.7%). Since the profit recorded by the joint venture companies is accounted for in the financial result using the equity method, the positive business growth of our Chinese joint ventures is mainly reflected in the Group's operating profit only by deliveries of vehicles and vehicle parts.

The financial result rose by €0.7 billion year-on-year to €1.5 billion. This was positively impacted by income from the measurement of derivative financial instruments at the reporting date, as well as income from the equity-accounted Chinese joint ventures, which was up on the high prior-year figures.

OPERATING PROFIT BY QUARTERS
Volkswagen Group in € million



RESULTS OF OPERATIONS IN THE PASSENGER CARS BUSINESS AREA AND COMMERCIAL VEHICLES/POWER ENGINEERING BUSINESS AREA FROM JANUARY 1 TO JUNE 30

€ million	2014	2013
Passenger Cars		
Sales revenue	70,711	70,345
Gross profit	13,466	13,829
Operating profit	4,748	4,877
Operating return on sales (in %)	6.7	6.9
Commercial Vehicles/Power Engineering		
Sales revenue	16,333	17,170
Gross profit	2,561	2,052
Operating profit	514	78
Operating return on sales (in %)	3.1	0.5

RESULTS OF OPERATIONS IN THE FINANCIAL SERVICES DIVISION

The Financial Services Division generated sales revenue of €11.8 billion in the period from January to June 2014, 5.3% more than in the first half of 2013. The increase was mainly due to higher business volumes.

At €2.7 billion, gross profit was up €0.2 billion on the prior-year figure.

Distribution and administrative expenses rose in the reporting period due to volume-related factors and compliance with regulatory requirements. The ratio of both distribution and administrative expenses to sales revenue also increased.

Operating profit improved by 11.9% to €0.9 billion, while the operating return on sales rose to 7.9% (7.4%).

FINANCIAL POSITION OF THE GROUP

The Volkswagen Group's gross cash flow improved by €0.3 billion year-on-year to €13.5 billion in the first six months of 2014. At €10.1 billion, funds tied up in working capital were 23.2% higher than a year earlier due to volume-related factors and a stronger performance by the financial services business. As a result, cash flows from operating activities declined to €3.3 billion (€5.0 billion).

Investing activities attributable to the Volkswagen Group's operating activities were up €0.5 billion on the prior-year figure at €6.2 billion in the reporting period. Investments in property, plant and equipment declined, while capitalized development costs rose.

Cash inflows from financing activities amounted to €0.3 billion (€4.1 billion). Net liquidity was increased by the hybrid notes successfully placed in March 2014 (€3.0 billion) and the capital increase implemented in June 2014 by issuing new preferred shares in the amount of €2.0 billion; net liquidity was reduced by the cash outflows from the dividend payment and the increase in the interest in Scania.

Cash and cash equivalents in the Volkswagen Group as reported in the cash flow statement amounted to €18.2 billion as of June 30, 2014, down 13.0% year-on-year.

The Group's net liquidity amounted to €–90.0 billion as of June 30, 2014; at year-end 2013, it was €–82.3 billion.

FINANCIAL POSITION IN THE AUTOMOTIVE DIVISION

The Automotive Division recorded a gross cash flow of €10.7 billion in the first half of the year, €0.1 billion higher than in the previous year. Funds tied up in working capital rose to €2.3 billion (€2.1 billion). Cash flows from operating activities were on a level with the prior-year figure, at €8.4 billion (€8.4 billion).

FINANCIAL POSITION IN THE PASSENGER CARS BUSINESS AREA AND THE COMMERCIAL VEHICLES/POWER ENGINEERING BUSINESS AREA FROM JANUARY 1 TO JUNE 30

€ million	2014	2013
Passenger Cars		
Gross cash flow	9,507	9,590
Change in working capital	−807	−1,721
Cash flows from operating activities	8,699	7,869
Cash flows from investing activities	−5,326	−6,651
Net cash flow	3,374	1,218
Commercial Vehicles/Power Engineering		
Gross cash flow	1,150	945
Change in working capital	−1,462	−382
Cash flows from operating activities	−312	562
Cash flows from investing activities	−143	−549
Net cash flow	−455	13

Investing activities attributable to operating activities were down year-on-year at €5.5 billion (€7.2 billion) in the first six months of 2014. Investments in property, plant and equipment amounted to €3.6 billion (€3.9 billion); the ratio of investments in property, plant and equipment (capex) declined to 4.1% (4.5%). We invested primarily in our production facilities and in models to be launched in 2014 and 2015, as well as in the ecological focus of our model range. Capitalized development costs rose to €2.4 billion (€1.6 billion). Investment activities in the first half of 2014 included the sale of MAN Finance International GmbH to Volkswagen Financial Services AG by MAN SE; the previous year was impacted by the intragroup acquisition of the interest in LeasePlan Corporation N.V.

The Automotive Division's net cash flow rose by €1.7 billion to €2.9 billion in the reporting period.

Funds of €5.6 billion were invested in financing activities in the first six months of 2014. This figure included the total dividend paid out to the shareholders of Volkswagen AG, which rose by €0.2 billion to €1.9 billion, a capital increase of €2.3 billion carried out by Volkswagen AG at Volkswagen Financial Services AG at the beginning of the year in order to finance the growth in business volumes and meet regulatory capital requirements, as well as the purchase price of €6.5 billion for the shares acquired in Scania, which is reported as a capital transaction with noncontrolling interests. The successful placement of dual-tranche hybrid notes with an aggregate principal amount of €3.0 billion via Volkswagen International Finance N.V. in March led to cash inflows. They consist of a €1.25 billion note that carries a coupon of 3.75% and has a first call date after seven years, and a €1.75 billion note that carries a coupon of 4.625% and has a first call date after twelve years. Both tranches are perpetual and increase equity by the full amount, net of transaction costs. €3.0 billion of the hybrid notes was classified as a capital contribution, which increased net liquidity. The capital increase implemented in June by issuing new preferred shares in the amount of €2.0 billion also had a positive impact.

Net liquidity in the Automotive Division amounted to €14.0 billion as of June 30, 2014, compared with €16.9 billion at year-end 2013.

FINANCIAL POSITION IN THE FINANCIAL SERVICES DIVISION

Gross cash flow in the Financial Services Division improved by €0.2 billion to €2.8 billion in the first half of 2014. At €7.9 billion (€6.1 billion), funds tied up in working capital were up on the previous year due to growth in business volumes. Largely due to the intragroup acquisition of MAN Finance International GmbH from MAN SE, a cash outflow of €0.8 billion was recorded in investing activities attributable to operating activities in the reporting period. The previous year was characterized by a cash inflow from the sale of the interest in LeasePlan to Volkswagen AG.

The Financial Services Division's negative net liquidity, which is common in the industry, amounted to €–104.0 billion at the end of June 2014, after €–99.2 billion at December 31, 2013.

CONSOLIDATED BALANCE SHEET STRUCTURE

At €336.1 billion, the Volkswagen Group's total assets at the end of the first half of 2014 exceeded the prior-year figure by 3.6%. The Group's equity was down slightly on the 2013 year-end figure, at €89.7 billion (€90.0 billion). The equity ratio was 26.7% (27.8%).

Noncontrolling interests declined to €0.2 billion (€2.3 billion) following the increase in the interest in Scania; these are now largely attributable to shareholders of RENK AG and AUDI AG.

AUTOMOTIVE DIVISION BALANCE SHEET STRUCTURE

At the reporting date, intangible assets and property, plant and equipment in the Automotive Division were on a level with December 31, 2013. The equity-accounted investments contained in the other noncurrent assets item decreased, as dividends that have already been declared and paid had to be recognized in this item. Overall, noncurrent assets were on a level with the previous year. Current assets rose by 5.4% as against year-end 2013; within this item, the growth in business resulted in a rise in inventories and trade receivables in particular. Cash and cash equivalents in the Automotive Division amounted to €17.6 billion (€20.5 billion) at the reporting date.

BALANCE SHEET STRUCTURE IN THE PASSENGER CARS BUSINESS AREA AND THE COMMERCIAL VEHICLES/POWER ENGINEERING BUSINESS AREA

€ million	June 30, 2014	Dec. 31, 2013
Passenger Cars		
Noncurrent assets	95,418	94,873
Current assets	55,032	50,146
Total assets	**150,450**	**145,019**
Equity	57,606	60,494
Noncurrent liabilities	53,687	52,900
Current liabilities	39,157	31,625
Commercial Vehicles/Power Engineering		
Noncurrent assets	26,712	27,565
Current assets	16,992	18,174
Total assets	**43,703**	**45,739**
Equity	15,291	15,490
Noncurrent liabilities	11,965	12,390
Current liabilities	16,447	17,859

All of the outstanding Scania shares – with the exception of 0.43% of the share capital – were acquired following the fulfillment of all of the conditions for Volkswagen AG's voluntary tender offer to acquire all Scania shares in May. The transaction reduced equity by €6.7 billion. €6.5 billion was paid for the Scania A and B shares already acquired; a liability was recognized for the shares to be acquired in the squeeze-out. This did not affect liquidity. The noncontrolling interests are mainly attributable to RENK AG and AUDI AG. These were lower overall than the noncontrolling interests attributable to the Financial Services Division, so the figure for the Automotive Division, where the deduction was recognized, was negative.

The Automotive Division's equity amounted to €72.9 billion at the end of the reporting period, down 4.1% on the 2013 year-end figure. This was positively impacted by healthy earnings growth, the hybrid notes issued in March and the capital increase implemented in June by issuing new preferred shares from authorized capital. The reduction in equity as a result of the acquisition of all outstanding Scania shares, higher actuarial losses from the measurement of pension provisions and the dividend paid out to the shareholders of Volkswagen AG had an offsetting effect. The equity increase implemented in the Financial Services Division also decreased equity in the Automotive Division, where the deduction was recognized.

Within noncurrent liabilities, which remained virtually unchanged as against December 31, 2013, pension provisions increased due to the change in the discount rate. Overall, current liabilities rose by 12.4% compared with year-end 2013. Reclassifications from noncurrent to current liabilities, in particular due to shorter remaining maturities, led to an increase in current financial liabilities. 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, a negative amount was disclosed for the reporting period. The item "Put options and compensation rights granted to noncontrolling interest shareholders", which included the total amount of the offer to the Scania shareholders as of the end of Q1 2014, declined with the acquisition of the Scania shares.

The Automotive Division's total assets amounted to €194.2 billion at the end of June 2014, up slightly on the level at December 31, 2013 (€190.8 billion).

FINANCIAL SERVICES DIVISION BALANCE SHEET STRUCTURE

The Financial Services Division's total assets amounted to €142.0 billion on June 30, 2014, 6.3% higher than at December 31, 2013.

Noncurrent assets rose by a total of 7.2% compared with the prior-year figure. This is mainly attributable to an increase in lease assets and noncurrent financial services receivables resulting from business growth. Current assets rose by 5.0%, also due to volume-related factors. The Financial Services Division accounted for approximately 42.2% of the Volkswagen Group's assets at the end of the first half of 2014.

The Financial Services Division's equity at the end of the reporting period was €16.8 billion, 19.7% higher than at year-end 2013. This is largely the result of a capital increase carried out by Volkswagen AG at the beginning of the year in order to finance the growth in business and meet regulatory capital requirements. The equity ratio rose from 10.5% to 11.8%. Noncurrent liabilities increased by 16.0% due to higher noncurrent financial liabilities entered into to fund the growth in volumes. Overall, current liabilities declined compared with the prior-year reporting date; this was attributable to the decrease in current financial liabilities contained in this item.

Deposits from direct banking business amounted to €24.6 billion (€23.3 billion); of this figure, €21.9 billion was attributable to Volkswagen Bank direct.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

In the reporting period, there were no significant changes compared with the disclosures on the Volkswagen Group's expected development in fiscal 2014 in the "Report on Expected Developments" and "Report on Risks and Opportunities" chapters of the 2013 Annual Report.

Outlook

The global economy continued its slight recovery in the first six months of 2014, although its strength has been mixed in the different regions. The Volkswagen Group's Board of Management expects the global economy to record slightly stronger growth in 2014 than in the previous year, despite some uncertainties. The financial markets still entail risks resulting above all from the strained debt situation of many countries. While the industrialized nations will probably record moderate rates of expansion, we continue to anticipate that growth will be strongest in the emerging economies of Asia.

Global demand for passenger cars continued to rise from January to June 2014, albeit at a slightly slower pace; however, the markets varied from region to region. We expect trends in the passenger car markets in the individual regions to again be mixed in fiscal year 2014. Overall, growth in global demand for new vehicles will probably be somewhat slower than in 2013. We anticipate a slight recovery in demand for automobiles in Western Europe, and volumes in the German market are also likely to increase again somewhat in 2014. The passenger car markets in Central and Eastern Europe will be clearly below the prior-year level. The upward trend in North America will probably weaken, while the South American passenger car markets will be down significantly on the previous year. We anticipate further growth in 2014 for the markets in the Asia-Pacific region that are strategically important for the Volkswagen Group, although momentum there is expected to be lower than in the previous year.

The global markets for light commercial vehicles will probably experience slight growth overall in 2014, with the individual regions recording mixed trends.

We anticipate that the overall volume in the markets for trucks and buses that are relevant for the Volkswagen Group will see a decrease in 2014 as against the previous year due to the increase-ingly difficult conditions in South America and Eastern Europe.

We expect demand for automotive financial services to grow worldwide again in 2014.

The Volkswagen Group is well positioned to deal with the mixed developments in the automotive markets. Our strengths include our unique brand portfolio covering almost all segments, from motorcycles through subcompact cars to heavy trucks and buses, our steadily growing presence in all major world markets and our wide range of financial services. We offer an extensive range of environmentally friendly, cutting-edge, high-quality vehicles for all markets and customer groups that is unparalleled in the industry. The Volkswagen Group will press ahead with its product initiative across all brands in 2014, and we will modernize and expand our offering by introducing attractive new vehicles. We are pursuing the goal of offering all customers the mobility and innovation they need, sustainably strengthening our competitive position in the process.

We expect that the Volkswagen Group will moderately increase deliveries to customers year-on-year in 2014 in a still challenging market environment.

Challenges for the Volkswagen Group will come from the difficult market environment and fierce competition, as well as interest rate and exchange rate volatility and fluctuations in raw materials prices. The modular toolkit system, which we are continuously expanding, will have an increasingly positive effect on the Group's cost structure.

Depending on the economic conditions, we expect 2014 sales revenue for the Volkswagen Group and its business areas to move within a range of 3% around the prior-year figure.

In terms of the Group's operating profit, we are expecting an operating return on sales of between 5.5% and 6.5% in 2014 in light of the challenging economic environment, and the same range also applies to the Passenger Cars Business Area. The Commercial Vehicles/Power Engineering Business Area is likely to moderately exceed the 2013 figure. The operating return on sales in the Financial Services Division is expected to be between 8.0% and 9.0%. Disciplined cost and investment management and the continuous optimization of our processes remain integral elements of the Volkswagen Group's Strategy 2018.

This report contains forward-looking statements on the business development of the Volkswagen Group. These statements are based on assumptions relating to the development of the economic and legal environment in individual countries and economic regions, and in particular for the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given entail a degree of risk, and the actual developments may differ from those forecast. Consequently, any unexpected fall in demand or economic stagnation in our key sales markets, such as Western Europe (and especially Germany), the USA, Brazil, China, or Russia will have a corresponding impact on the development of our business. The same applies in the event of a significant shift in exchange rates, mostly against the euro and primarily in sterling, US dollars, Chinese renminbi, Swiss francs, Japanese yen, Hungarian forints, Swedish kronor, Korean won, Australian dollars and Canadian dollars. In addition, expected business development may vary if the assessments of the factors influencing sustainable value enhancement, as well as risks and opportunities presented in the 2013 Annual Report develop in a way other than we are currently expecting, or additional risks and opportunities or other factors emerge that affect the development of our business.

Brands and Business Fields

SALES REVENUE AND OPERATING PROFIT BY BRAND AND BUSINESS FIELD

The Volkswagen Group generated sales revenue of €98.8 billion (€98.7 billion) in the first six months of 2014, up only slightly on the prior-year figure (+0.1%). At €6.2 billion, operating profit was up 7.0% compared with the first half of 2013.

The Volkswagen Passenger Cars brand sold 2.3 million vehicles in the reporting period, down 3.1% year-on-year. This decrease was primarily due to the declining South American markets. The Sharan, Tiguan, Golf estate and up! models recorded increased sales figures. Lower volumes and exchange rate deterioration had a negative impact on sales revenue, which declined by 2.2% to €49.3 billion. Operating profit decreased by €482 million to €1.0 billion, weighed down by the decline in volumes, negative exchange rate effects and higher upfront expenditures for new technologies. By contrast, lower material costs and improvements in the mix had a positive effect.

Unit sales by the Audi brand were up 8.4% worldwide year-on-year in the first six months of 2014 to 750 thousand vehicles. In addition, a further 248 thousand (197 thousand) Audi vehicles were sold by the FAW-Volkswagen Chinese joint venture. Together with the compact A3 and luxury A8 models, Audi's Q3 and Q5 SUV models were particularly popular with customers. Strong growth in the Asian, North American and European markets also produced positive effects. As a result, sales revenue grew by 5.8% to €26.7 billion despite negative currency effects. At €2.7 billion, operating profit was on a level with the previous year (+1.0%). Earnings growth was impacted by high upfront investments in new products and technologies, as well as in the expansion of the international production network. The Lamborghini and Ducati brands are included in the financial key performance indicators for the Audi brand. 29,839 Ducati motorcycles were sold in the reporting period (–1.8%).

The ŠKODA brand lifted unit sales by 17.5% to 426 thousand vehicles between January and June 2014. Demand increased for the Octavia family, the Rapid and the Yeti models. At €6.0 billion, sales revenue was up 20.3% year-on-year. Positive volume and mix effects lifted operating profit, which exceeded the prior-year figure by 74.9% to reach €425 million.

The SEAT brand sold 258 thousand vehicles in the reporting period, up 5.8% year-on-year. The sales figures include the Q3 manufactured for Audi. Customer demand increased for the Leon family and Alhambra models. Sales revenue amounted to €3.9 billion, up 8.8% on the prior-year figure. Positive effects from volumes, mix and product costs helped the operating loss to narrow by 6.5% to €37 million. By contrast, development costs for new models increased.

The Bentley brand recorded sales of 5,632 vehicles in the first half of the year, up 33.4% on the previous year. Sales revenue rose by 28.5% to €887 million. Operating profit rose by 65.4% to €95 million. The growth in volumes more than offset negative exchange rate effects and higher upfront investments in new products.

VOLKSWAGEN GROUP

Division	Automotive										Financial Services
Brand/ Business Field	Volkswagen Passenger Cars	Audi	ŠKODA	SEAT	Bentley	Porsche	Volkswagen Commercial Vehicles	Scania	MAN	Other	Dealer and customer financing Leasing Direct bank Insurance Fleet business Mobility offerings

The Porsche brand sold 89 thousand vehicles worldwide between January and June 2014, an increase of 13.4% compared with the prior-year period. Sales revenue amounted to €8.2 billion, up 16.2% year-on-year. At €1.4 billion, Porsche's operating profit grew by 8.0%. The increased volumes and an improved mix had a positive effect, although by contrast, increased development costs and higher fixed costs from the development of structures for the Macan had a significant impact. There was strong customer demand for the new Macan and the Panamera in particular.

At 221 thousand vehicles (220 thousand), unit sales at Volkswagen Commercial Vehicles in the first half of 2014 remained level with the prior-year period. Demand for the Multivan/Transporter and the Caddy increased. Sales revenue declined by 1.1% to €4.7 billion due to exchange rate effects. Operating profit grew by 13.5% to €280 million due to lower material costs and positive mix effects.

Scania lifted sales by 1.1% to 38 thousand vehicles in the reporting period. The brand was very successful in the European markets in particular. Demand for services also increased. Sales revenue declined by 0.6% to €5.1 billion due to exchange rate factors. Operating profit rose by 2.5% year-on-year to €476 million, a development attributable to Scania Financial Services.

The MAN brand sold 58 thousand vehicles in the first six months of the year, down 11.1% year-on-year. Sales revenue decreased by 12.2% to €6.7 billion. MAN generated an operating profit of €222 million compared with an operating loss of €124 million in the previous year. The improvement is mainly attributable to the Power Engineering segment, which had recognized project-specific contingency reserves in the previous year.

Operating profit at Volkswagen Financial Services was up 11.5% in the first six months of 2014 to €776 million. The growth in volumes, together with improved net income from service contracts and net fee and commission income, more than compensated for the increase in fixed costs, which was mainly attributable to volumes and compliance with regulatory requirements.

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

	VEHICLE SALES		SALES REVENUE		SALES TO THIRD PARTIES		OPERATING RESULT	
thousand units/€ million	2014	2013	2014	2013	2014	2013	2014	2013
Volkswagen Passenger Cars	2,302	2,376	49,259	50,367	34,263	36,881	1,012	1,494
Audi	750	692	26,690	25,234	17,668	17,392	2,671	2,644
ŠKODA	426	362	5,974	4,966	2,950	2,381	425	243
SEAT	258	244	3,948	3,629	1,700	1,569	−37	−40
Bentley	6	4	887	690	561	459	95	58
Porsche[2]	89	78	8,162	7,025	7,541	6,536	1,398	1,294
Volkswagen Commercial Vehicles	221	220	4,724	4,777	2,340	2,430	280	246
Scania[2]	38	38	5,067	5,097	5,067	5,097	476	464
MAN[3]	58	65	6,699	7,629	6,626	7,583	222	−124
VW China[4]	1,847	1,517	–	–	–	–	–	–
Other	−788	−724	−23,026	−20,413	10,585	9,483	−1,132[5]	−1,195[5]
Volkswagen Financial Services[3]	–	–	10,423	9,688	9,508	8,875	776	696
Volkswagen Group	**5,207**	**4,873**	**98,808**	**98,687**	**98,808**	**98,687**	**6,186**	**5,780**
Automotive Division	5,207	4,873	87,044	87,515	88,086	88,433	5,262	4,955
of which: Passenger Cars Business Area	4,890	4,551	70,711	70,345	74,333	73,791	4,748	4,877
Commercial Vehicles/Power Engineering Business Area	317	323	16,333	17,170	13,754	14,642	514	78
Financial Services Division	–	–	11,764	11,173	10,722	10,255	924	826

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 Including financial services.
3 MAN Finance International GmbH has been reported within Volkswagen Financial Services since its acquisition by Financial Services AG as of January 1, 2014. The prior-year figures have not been adjusted.
4 The sales revenue and operating profit of the joint venture companies in China are not included in the figures for the Group. The Chinese companies are accounted for using the equity method and recorded an operating profit (proportionate) of €2,622 million (€2,370 million).
5 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.

UNIT SALES AND SALES REVENUE BY MARKET

The Volkswagen Group sold 2.3 million vehicles in the Europe/Other markets region during the reporting period, exceeding the prior-year figure by 7.0%. Sales grew by 4.9% to €61.9 billion due to increased volumes; deteriorations in exchange rates had an offsetting effect.

Sales by the Volkswagen Group in the North American market decreased by 6.2% to 422 thousand vehicles. The lower sales figures and a negative exchange rate trend saw sales revenue decline by 6.9% to €12.9 billion.

The highly competitive South American markets contracted sharply in the first half of 2014. Unit sales there decreased by 24.0% year-on-year to 368 thousand vehicles. The decline in volumes is reflected in sales revenue, which dropped 27.8% to €6.5 billion; exchange rate effects also had a negative impact.

From January to June 2014, the Volkswagen Group again recorded demand in the Asia-Pacific region at levels exceeding market growth. Including the Chinese joint ventures, 2.1 million vehicles were sold, 18.1% more than in the prior-year period. As a result, sales revenue rose by 4.0% year-on-year to €17.5 billion. This figure does not include our Chinese joint ventures as they are accounted for using the equity method.

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

	VEHICLE SALES		SALES REVENUE	
thousand units/€ million	2014	2013	2014	2013
Europe/Other markets	2,279	2,129	61,868	58,950
North America	422	450	12,905	13,858
South America	368	485	6,510	9,022
Asia-Pacific[2]	2,138	1,810	17,525	16,856
Volkswagen Group[2]	**5,207**	**4,873**	**98,808**	**98,687**

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

Volkswagen Financial Services also performed well in the first six months of 2014, its innovative products and services supporting the Volkswagen Group's strong sales performance along the automotive value chain.

In June 2014, Porsche Bank AG and Volkswagen Financial Services AG established Porsche Volkswagen Servicios Financieros Chile SpA, a joint venture offering sales financing solutions, in Santiago de Chile.

Financial Services AG and the German Nature and Biodiversity Conservation Union (NABU) are campaigning together to preserve wetlands as a habitat for valuable species and as CO_2 reservoirs for climate protection. A German Moor Conservation Fund has been established for this purpose, which in the future will also expand its activities at an international level.

At the end of May, Volkswagen Financial Services Mexico was recognized for the first time in the employer competition "Great Place to Work".

The key elements of the diversified funding strategy employed by Volkswagen Financial Services are unsecured bonds placed on the capital markets, deposits from direct banking business and auto asset-backed securities (ABS) transactions. Volkswagen Bank GmbH successfully placed the Driver 12 ABS transaction, with a volume of approximately €1.3 billion, in April 2014. This was the largest European ABS transaction since the beginning of the financial crisis in 2008. This issue met with interest from 32 investors in nine countries, illustrating Volkswagen Financial Services' leading position in the European auto ABS market.

The funding strategy is aimed at achieving funding solutions that are local wherever possible and that are tailored with regard to the instruments and currencies used. Volkswagen Bank RUS placed its first Russian ruble-denominated bond on the Russian capital markets in June 2014. This transaction, with a volume of RUB 5 billion, was part of Volkswagen Bank RUS' local debt issuance program and received a very good rating and enjoyed strong investor demand.

The number of new financing, leasing, service and insurance contracts signed between January and June 2014 was 2.3 million, 16.7% more than in the prior-year period (excluding MAN Finance International GmbH, which was acquired on January 1, 2014). The total number of contracts as of June 30, 2014 exceeded the number as of December 31, 2013 by 7.4%. At 7.3 million, the Customer Financing/Leasing area recorded a 5.9% rise in the number of contracts against the year-end figure. In the Service/Insurance area, the number of contracts rose by 9.9% to 4.2 million. Based on unchanged credit eligibility criteria, the share of leased or financed vehicles rose from 27.7% of total Group deliveries worldwide in the previous year, to 29.7%. Compared with December 31, 2013, receivables relating to dealer financing were up 5.3% as of June 30, 2014.

Volkswagen Bank direct had approximately 1.4 million accounts as of June 30, 2% fewer than as of the end of 2013. Volkswagen Financial Services had 11,859 employees at the end of the reporting period. The 8.4% increase as against December 31, 2013 is primarily attributable to the acquisition of MAN Finance International GmbH.

Interim Consolidated Financial Statements (Condensed)

INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO JUNE 30

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2014	2013	2014	2013	2014	2013
Sales revenue	**98,808**	**98,687**	**87,044**	**87,515**	**11,764**	**11,173**
Cost of sales	– 80,075	– 80,293	– 71,018	– 71,635	– 9,058	– 8,659
Gross profit	**18,733**	**18,394**	**16,027**	**15,880**	**2,706**	**2,514**
Distribution expenses	– 10,138	– 9,616	– 9,563	– 9,121	– 575	– 495
Administrative expenses	– 3,427	– 3,267	– 2,723	– 2,646	– 705	– 621
Other operating income/expense	1,019	270	1,521	841	– 502	– 572
Operating profit	**6,186**	**5,780**	**5,262**	**4,955**	**924**	**826**
Share of profits and losses of equity-accounted investments	2,143	1,841	2,127	1,790	16	52
Other financial result	– 552	– 1,002	– 608	– 1,014	56	12
Financial result	**1,591**	**839**	**1,520**	**776**	**71**	**63**
Profit before tax	**7,777**	**6,620**	**6,782**	**5,731**	**995**	**889**
Income tax expense	– 2,061	– 1,827	– 1,808	– 1,536	– 253	– 291
Profit after tax	**5,716**	**4,793**	**4,974**	**4,195**	**742**	**598**
of which attributable to						
Noncontrolling interests	75	– 65	51	– 76	24	10
Volkswagen AG hybrid capital investors	60	–	60	–	–	–
Volkswagen AG shareholders	5,581	4,858	4,863	4,271	718	587
Basic earnings per ordinary share (€)[2]	**11.33**	**10.04**				
Diluted earnings per ordinary share (€)[2]	**11.33**	**10.04**				
Basic earnings per preferred share (€)[2]	**11.39**	**10.10**				
Diluted earnings per preferred share (€)[2]	**11.39**	**10.10**				

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Explanatory information on earnings per share is presented in note 4. Prior-year figures adjusted to reflect application of IAS 33.26

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO JUNE 30

€ million	2014	2013
Profit after tax	**5,716**	**4,793**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	– 2,657	1,696
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	779	– 492
Pension plan remeasurements recognized in other comprehensive income, net of tax	– 1,878	1,204
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	– 3	– 4
Items that will not be reclassified to profit or loss	**– 1,881**	**1,200**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	150	– 993
Transferred to profit or loss	0	–
Exchange differences on translating foreign operations, before tax	150	– 993
Deferred taxes relating to exchange differences on translating foreign operations	0	0
Exchange differences on translating foreign operations, net of tax	150	– 992
Cash flow hedges		
Fair value changes recognized in other comprehensive income	– 1,218	949
Transferred to profit or loss	– 133	– 11
Cash flow hedges, before tax	– 1,351	938
Deferred taxes relating to cash flow hedges	403	– 282
Cash flow hedges, net of tax	– 947	656
Available-for-sale financial assets		
Fair value changes recognized in other comprehensive income	431	– 254
Transferred to profit or loss	22	0
Available-for-sale financial assets, before tax	453	– 254
Deferred taxes relating to available-for-sale financial assets	– 29	0
Available-for-sale financial assets, net of tax	424	– 253
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	– 103	19
Items that may be reclassified subsequently to profit or loss	**– 476**	**– 571**
Other comprehensive income, before tax	– 3,511	1,402
Deferred taxes relating to other comprehensive income	1,154	– 773
Other comprehensive income, net of tax	**– 2,357**	**629**
Total comprehensive income	**3,359**	**5,421**
of which attributable to		
Noncontrolling interests	13	– 147
Volkswagen AG hybrid capital investors	60	–
Volkswagen AG shareholders	3,286	5,568

INCOME STATEMENT FOR THE PERIOD APRIL 1 TO JUNE 30

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2014	2013	2014	2013	2014	2013
Sales revenue	**50,977**	**52,122**	**44,990**	**46,386**	**5,987**	**5,737**
Cost of sales	– 41,207	– 42,007	– 36,586	– 37,534	– 4,621	– 4,473
Gross profit	**9,771**	**10,116**	**8,405**	**8,852**	**1,366**	**1,264**
Distribution expenses	– 5,374	– 4,998	– 5,078	– 4,756	– 296	– 241
Administrative expenses	– 1,774	– 1,648	– 1,429	– 1,367	– 346	– 281
Other operating income/expense	708	– 33	939	299	– 231	– 332
Operating profit	**3,330**	**3,437**	**2,837**	**3,027**	**493**	**409**
Share of profits and losses of equity-accounted investments	1,150	949	1,143	942	6	7
Other financial result	– 60	– 454	– 89	– 494	29	40
Financial result	**1,089**	**495**	**1,055**	**448**	**35**	**47**
Profit before tax	**4,420**	**3,932**	**3,892**	**3,476**	**528**	**456**
Income tax expense	– 1,171	– 1,085	– 1,043	– 966	– 128	– 119
Profit after tax	**3,249**	**2,847**	**2,849**	**2,510**	**400**	**337**
of which attributable to						
Noncontrolling interests	24	14	15	10	9	4
Volkswagen AG hybrid capital investors	38	–	38	–	–	–
Volkswagen AG shareholders	3,186	2,832	2,796	2,500	391	332
Basic earnings per ordinary share (€)[2]	**6.47**	**5.86**				
Diluted earnings per ordinary share (€)[2]	**6.47**	**5.86**				
Basic earnings per preferred share (€)[2]	**6.47**	**5.86**				
Diluted earnings per preferred share (€)[2]	**6.47**	**5.86**				

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Explanatory information on earnings per share is presented in note 4. Prior-year figures adjusted to reflect application of IAS 33.26

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD APRIL 1 TO JUNE 30

€ million	2014	2013
Profit after tax	**3,249**	**2,847**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	– 1,322	862
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	384	– 249
Pension plan remeasurements recognized in other comprehensive income, net of tax	– 938	613
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	0	– 4
Items that will not be reclassified to profit or loss	**– 938**	**608**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	276	– 1,430
Transferred to profit or loss	0	–
Exchange differences on translating foreign operations, before tax	276	– 1,430
Deferred taxes relating to exchange differences on translating foreign operations	0	0
Exchange differences on translating foreign operations, net of tax	276	– 1,430
Cash flow hedges		
Fair value changes recognized in other comprehensive income	– 1,108	1,663
Transferred to profit or loss	– 53	– 14
Cash flow hedges, before tax	– 1,161	1,649
Deferred taxes relating to cash flow hedges	348	– 479
Cash flow hedges, net of tax	– 814	1,169
Available-for-sale financial assets		
Fair value changes recognized in other comprehensive income	521	– 69
Transferred to profit or loss	– 36	33
Available-for-sale financial assets, before tax	484	– 37
Deferred taxes relating to available-for-sale financial assets	– 9	– 2
Available-for-sale financial assets, net of tax	475	– 38
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	12	– 57
Items that may be reclassified subsequently to profit or loss	**– 50**	**– 356**
Other comprehensive income, before tax	– 1,711	983
Deferred taxes relating to other comprehensive income	723	– 730
Other comprehensive income, net of tax	**– 988**	**253**
Total comprehensive income	**2,261**	**3,099**
of which attributable to		
Noncontrolling interests	– 6	– 135
Volkswagen AG hybrid capital investors	38	–
Volkswagen AG shareholders	2,228	3,234

BALANCE SHEET AS OF JUNE 30, 2014 AND DECEMBER 31, 2013

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE*		FINANCIAL SERVICES	
€ million	2014	2013	2014	2013	2014	2013
Assets						
Noncurrent assets	**207,558**	**202,141**	**122,129**	**122,438**	**85,429**	**79,704**
Intangible assets	59,762	59,243	59,529	59,007	234	236
Property, plant and equipment	42,459	42,389	40,633	40,632	1,827	1,757
Lease assets	24,181	22,259	2,834	2,642	21,347	19,617
Financial services receivables	54,168	51,198	– 1,011	– 602	55,180	51,800
Investments, equity-accounted investments and other equity investments, other receivables and financial assets	26,987	27,053	20,144	20,759	6,842	6,294
Current assets	**128,566**	**122,192**	**72,024**	**68,320**	**56,542**	**53,872**
Inventories	31,630	28,653	28,768	25,580	2,862	3,073
Financial services receivables	40,753	38,386	– 1,026	– 844	41,779	39,229
Other receivables and financial assets	27,624	23,483	19,706	16,458	7,918	7,025
Marketable securities	8,557	8,492	6,997	6,675	1,560	1,817
Cash, cash equivalents and time deposits	20,002	23,178	17,578	20,450	2,424	2,728
Total assets	**336,124**	**324,333**	**194,153**	**190,758**	**141,971**	**133,576**
Equity and Liabilities						
Equity	**89,714**	**90,037**	**72,898**	**75,984**	**16,816**	**14,053**
Equity attributable to Volkswagen AG shareholders	84,495	85,730	67,894	72,100	16,601	13,630
Equity attributable to Volkswagen AG hybrid capital investors	5,028	2,004	5,028	2,004	–	–
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	89,524	87,733	72,922	74,103	16,601	13,630
Noncontrolling interests	190	2,304	– 25	1,881	215	423
Noncurrent liabilities	**124,086**	**115,672**	**65,651**	**65,290**	**58,435**	**50,382**
Financial liabilities	66,859	61,517	13,422	15,913	53,438	45,604
Provisions for pensions	24,543	21,774	24,204	21,481	339	293
Other liabilities	32,684	32,380	28,026	27,896	4,659	4,484
Current liabilities	**122,324**	**118,625**	**55,604**	**49,484**	**66,720**	**69,141**
Put options and compensation rights granted to noncontrolling interest shareholders	3,548	3,638	3,548	3,638	–	–
Financial liabilities	59,472	59,987	– 1,421	– 3,981	60,893	63,968
Trade payables	19,179	18,024	17,231	16,582	1,948	1,441
Other liabilities	40,126	36,976	36,247	33,245	3,879	3,731
Total equity and liabilities	**336,124**	**324,333**	**194,153**	**190,758**	**141,971**	**133,576**

* 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, 2013	**1,191**	**11,509**	**64,596**	**– 539**
Profit after tax	–	–	4,858	–
Other comprehensive income, net of tax	–	–	1,182	– 890
Total comprehensive income	**–**	**–**	**6,040**	**– 890**
Capital increase	0	1,149	–	–
Dividend payment	–	–	– 1,639	–
Capital transactions involving a change in ownership interest[1]	–	–	– 1,397	39
Other changes	–	–	– 8	–
Balance at June 30, 2013	**1,191**	**12,658**	**67,592**	**– 1,390**
Balance at Jan. 1, 2014	**1,191**	**12,658**	**72,341**	**– 2,799**
Profit after tax	–	–	5,581	–
Other comprehensive income, net of tax	–	–	– 1,870	204
Total comprehensive income	**–**	**–**	**3,711**	**204**
Capital increase[2]	27	1,959	–	–
Dividend payment	–	–	– 1,871	–
Capital transactions involving a change in ownership interest[1]	–	–	– 4,484	– 45
Other changes[3]	–	–	– 109	0
Balance at June 30, 2014	**1,218**	**14,616**	**69,587**	**– 2,641**

1 The capital transactions involving a change in ownership interest are attributable in the previous year to the derecognition of the noncontrolling interests in the equity of MAN SE and the interest in Scania AB attributable to those noncontrolling interest shareholders and, in the reporting period, to the derecognition of the noncontrolling interests in the equity of Scania AB.

2 Volkswagen AG recorded an inflow of cash funds amounting to €3,000 million, less a discount of €29 million and transaction costs (€19 million), from the hybrid capital issued in March 2014. Additionally, there are noncash effects from the deferral of taxes amounting to €13 million. The hybrid capital is required to be classified as equity instruments granted. Volkswagen AG recorded an inflow of cash funds amounting to €2,000 million, less transaction costs (€20 million), from the capital increase implemented in June 2014 by issuing new preferred shares. Additionally, there are noncash effects from the deferral of taxes amounting to €6 million.

3 The other changes in retained earnings are primarily a result of exchange rate movements between the dates of publication and completion of the offer to acquire all shares of Scania in conjunction with the measurement of the liability originally recognized in other comprehensive income in March 2014.

	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
	360	**624**	**– 59**	**–**	**77,682**	**4,313**	**81,995**
	–	–	–	–	4,858	– 65	4,793
	657	– 253	14	–	710	– 81	629
	657	**– 253**	**14**	**–**	**5,568**	**– 147**	**5,421**
	–	–	–	–	1,149	–	1,149
	–	–	–	–	– 1,639	– 209	– 1,848
	– 8	0	1	–	– 1,366	– 1,759	– 3,125
	–	–	–	–	– 8	8	0
	1,009	**370**	**– 43**	**–**	**81,386**	**2,206**	**83,593**
	1,845	**724**	**– 229**	**2,004**	**87,733**	**2,304**	**90,037**
	–	–	–	60	5,641	75	5,716
	– 947	424	– 106	–	– 2,295	– 62	– 2,357
	– 947	**424**	**– 106**	**60**	**3,346**	**13**	**3,359**
	–	–	–	2,965	4,951	–	4,951
	–	–	–	–	– 1,871	– 4	– 1,875
	2	–	0	–	– 4,527	– 2,123	– 6,650
	0	–	–	–	– 109	0	– 109
	900	**1,147**	**– 334**	**5,028**	**89,524**	**190**	**89,714**

CASH FLOW STATEMENT FOR THE PERIOD JANUARY 1 TO JUNE 30

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2014	2013	2014	2013	2014	2013
Cash and cash equivalents at beginning of period	**22,009**	**17,794**	**19,285**	**14,788**	**2,724**	**3,005**
Profit before tax	7,777	6,620	6,782	5,731	995	889
Income taxes paid	– 2,531	– 2,036	– 2,227	– 1,814	– 304	– 222
Depreciation and amortization expense	7,822	7,056	5,690	5,159	2,132	1,897
Change in pension provisions	116	109	110	103	5	6
Other noncash income/expense and reclassifications[2]	309	1,469	301	1,356	8	112
Gross cash flow	**13,493**	**13,217**	**10,657**	**10,535**	**2,837**	**2,682**
Change in working capital	**– 10,147**	**– 8,234**	**– 2,269**	**– 2,104**	**– 7,878**	**– 6,130**
Change in inventories	– 2,689	– 1,869	– 2,706	– 2,112	17	242
Change in receivables	– 3,829	– 3,226	– 3,181	– 2,665	– 648	– 561
Change in liabilities	4,275	2,973	3,568	2,467	707	506
Change in other provisions	677	379	591	290	86	88
Change in lease assets (excluding depreciation)	– 4,143	– 3,286	– 467	– 3	– 3,676	– 3,283
Change in financial services receivables	– 4,439	– 3,203	– 74	– 81	– 4,365	– 3,122
Cash flows from operating activities	**3,347**	**4,984**	**8,388**	**8,431**	**– 5,041**	**– 3,448**
Cash flows from investing activities attributable to operating activities	**– 6,236**	**– 5,769**	**– 5,469**	**– 7,201**	**– 767**	**1,432**
of which: Investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property	– 3,779	– 4,042	– 3,578	– 3,924	– 201	– 118
capitalized development costs	– 2,396	– 1,635	– 2,396	– 1,635	–	–
acquisition and disposal of equity investments	– 195	– 323	380	– 1,835	– 576	1,512
Net cash flow[3]	***– 2,889***	***– 785***	***2,919***	***1,231***	***– 5,808***	***– 2,016***
Change in investments in securities and loans	– 1,235	– 63	– 815	444	– 420	– 507
Cash flows from investing activities	**– 7,471**	**– 5,832**	**– 6,284**	**– 6,757**	**– 1,187**	**925**
Cash flows from financing activities	**306**	**4,100**	**– 5,567**	**1,975**	**5,873**	**2,124**
of which: capital transactions with noncontrolling interests	– 6,535	0	– 6,535	0	–	–
capital contributions/capital redemptions	4,932	1,099	2,670	1,093	2,262	7
Effect of exchange rate changes on cash and cash equivalents	21	– 116	– 30	– 72	51	– 44
Net change in cash and cash equivalents	**– 3,797**	**3,135**	**– 3,493**	**3,578**	**– 304**	**– 443**
Cash and cash equivalents at June 30	**18,213**	**20,928**	**15,792**	**18,366**	**2,421**	**2,562**
Securities, loans and time deposits	18,105	14,297	10,187	7,597	7,918	6,700
Gross liquidity	**36,318**	**35,225**	**25,980**	**25,963**	**10,338**	**9,262**
Total third-party borrowings	– 126,332	– 121,318	– 12,001	– 14,650	– 114,331	– 106,668
Net liquidity at June 30	**– 90,014**	**– 86,093**	**13,979**	**11,313**	**– 103,993**	**– 97,406**
For information purposes: at January 1	– 82,318	– 85,517	16,869	10,573	– 99,186	– 96,090

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 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 to investing activities.
3 Net cash flow: cash flows from operating activities, net of cash flows from investing activities attributable to operating activities.

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 2013 in compliance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. These interim consolidated financial statements for the period ended June 30, 2014 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(5) 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, 2014.

The pronouncements contained in the "consolidation package" must be applied effective January 1, 2014. These relate to the new standards IFRS 10, IFRS 11 and IFRS 12, as well as amendments to IAS 28. IFRS 10 (Consolidated Financial Statements) defines the basis of consolidation and the principles for including subsidiaries in the consolidated financial statements. All entities that Volkswagen AG can control directly or indirectly must be included in the basis of consolidation. The switch from IAS 27 to IFRS 10 did not require the Volkswagen Group to make any adjustments because the parent/subsidiary relationships and other control relationships are attributable almost entirely to voting rights majorities. There was therefore no requirement to consolidate additional entities or deconsolidate existing ones. Equally, because all significant special purpose entities/structured entities are consolidated in the Volkswagen Group, no adjustments were required for these entities.

IFRS 11 governs the definition of and accounting for "joint arrangements" in the consolidated financial statements. Joint arrangements are classified into "joint ventures" and "joint operations". Because all entities that are jointly controlled by Volkswagen AG or one of its subsidiaries are required to be classified as joint ventures, there were no effects from applying IFRS 11.

IFRS 12 governs all disclosures on interests in other entities and thus combines all of the information required to be disclosed in the notes on subsidiaries, joint arrangements, associates, and consolidated and unconsolidated structured entities. The scope of the information to be disclosed was expanded in some cases. IFRS 12 does not result in any additional disclosure requirements in the interim financial reports.

Only the equity method in accordance with IAS 28 may be applied to joint ventures and associates effective January 1, 2014. The option to include these entities in the consolidated financial statements using proportionate consolidation was eliminated. Because proportionate consolidation was not used in the past in the Volkswagen Group, the elimination of this option did not result in any adjustments.

The other accounting pronouncements required to be applied for the first time in fiscal year 2014 are insignificant for the presentation of the Volkswagen Group's net assets, financial position and results of operations in its interim consolidated financial statements. A detailed breakdown of these accounting pronouncements is provided in the notes to the consolidated financial statements in the 2013 Annual Report.

A discount rate of 3.1% (December 31, 2013: 3.7%) was applied to German pension provisions in the accompanying interim consolidated financial statements. The reduction in the discount rate increased the actuarial losses for pension provisions that are recognized in retained earnings.

The income tax expense for the interim reporting period 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 2013 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 notes to the consolidated financial statements in the 2013 Annual Report. This can also be accessed on the Internet at www.volkswagenag.com/ir.

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

On March 14, 2014, Volkswagen AG published an offer to the shareholders of Scania Aktiebolag, Södertälje, ("Scania") to acquire all Scania A and Scania B shares. Each Scania A share conveys one vote at the general meeting, while each Scania B share conveys one-tenth of a vote. There are no other legal differences between Scania A and B shares. Volkswagen AG offered SEK 200 for each Scania share, regardless of share class. One of the conditions of the offer was that it resulted in the Volkswagen Group holding more than 90 percent of the total number of Scania shares. When the offer to the Scania shareholders was published, the present value of the put options granted amounting to approximately €6.7 billion was recognized as a current liability without affecting profit or loss. The Group's retained earnings declined by the same amount.

Starting on May 7, 2014, Volkswagen acquired a total of 2.4 million Scania shares outside the offer (10,941 A shares and 2,400,679 B shares). This corresponds to 0.30% of Scania shares and 0.06% of the voting rights.

The condition for the Volkswagen Group to hold more than 90% of the total number of Scania shares was satisfied on May 13, 2014, and Volkswagen initiated a squeeze-out for the Scania shares that were not tendered in the course of the offer.

At the end of the second extended acceptance period on June 5, 2014, the number of shares tendered under the terms of the offer, together with the shares already held by Volkswagen either directly or indirectly, amounted to a total of 796.6 million Scania shares, comprising 398.7 million A shares and 397.8 million B shares. This corresponds to 99.57% of Scania shares and 99.66% of the voting rights.

On completion of the offer, the equity interest in Scania previously attributable to noncontrolling interest shareholders amounting to €2,123 million was required to be reclassified from noncontrolling interests to the reserves attributable to the shareholders of Volkswagen AG. The difference of €4,527 million therefore reduces the retained earnings attributable to the shareholders of Volkswagen AG.

The changes in the carrying amount of the liability of €96 million that was recognized when the offer was published, which were due primarily to exchange rate movements, were recognized in the financial result in profit or loss.

Net of exchange rate effects, the shares already tendered resulted in a cash outflow of €6,535 million as of the reporting date. This amount is reported within financing activities in the cash flow statement as an outflow from capital transactions with noncontrolling interests. A liability of €78 million from put options and compensation rights granted to noncontrolling interest shareholders was recognized for the remaining shares that are subject to the squeeze-out.

INTERESTS IN JOINT VENTURES

The Volkswagen Group holds a 50% indirect interest in the joint venture LeasePlan Corporation N.V., Amsterdam, the Netherlands, via its 50% stake in the joint venture Global Mobility Holding B.V., Amsterdam, the Netherlands. Volkswagen agreed with Fleet Investments B.V., Amsterdam, the Netherlands, an investment company belonging to the von Metzler family, that Fleet Investments would become the new co-investor in Global Mobility Holding in 2010. The previous co-investors were instructed by Volkswagen AG to transfer their shares to Fleet Investments B.V. on February 1, 2010 for the purchase price of €1.4 billion. In fiscal year 2013, the agreement was prolonged by two years until January 2016. Volkswagen AG granted the new co-investor a put option on its shares. If this option is exercised, Volkswagen must pay the original purchase price plus accumulated pro rata preferred dividends or the higher fair value. The put option is accounted for at fair value.

In addition, Volkswagen has pledged claims under certificates of deposit with Bankhaus Metzler in the amount of €1.4 billion to secure a loan granted to Fleet Investments B.V. by Bankhaus Metzler. This pledge does not increase the Volkswagen Group's risk arising from the above-mentioned short position.

INVESTMENTS IN ASSOCIATES

There were no significant changes compared with the disclosures in the 2013 Annual Report.

DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Sales revenue

STRUCTURE OF GROUP SALES REVENUE

€ million	H1 2014	H1 2013
Vehicles	66,543	68,105
Genuine parts	6,650	6,731
Used vehicles and third-party products	4,963	4,009
Engines, powertrains and parts deliveries	4,697	4,089
Power Engineering	1,633	1,827
Motorcycles	308	315
Leasing business	7,575	7,086
Interest and similar income	3,097	3,121
Other sales revenue	3,343	3,406
	98,808	**98,687**

2. Cost of sales

Cost of sales includes interest expenses of €936 million (previous year: €1,086 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 €101 million (previous year: €93 million).

3. Research and development costs in the Automotive Division

€ million	H1 2014	H1 2013	%
Total research and development costs	6,478	5,571	16.3
of which: capitalized development costs	2,396	1,635	46.5
Capitalization ratio in %	37.0	29.4	
Amortization of capitalized development costs	1,391	1,118	24.4
Research and development costs recognized in the income statement	**5,474**	**5,054**	**8.3**

4. Earnings per share

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

During the reporting period, Volkswagen AG implemented a capital increase from authorized capital against cash contributions, with shareholders' preemptive rights disapplied, by issuing preferred shares. Since their admission to the regulated market on June 12, 2014, these new preferred shares have been included in the calculation of earnings per share.

In 2012 and 2013, Volkswagen AG placed two mandatory convertible notes with identical features and an aggregate principal amount of €3.7 billion via a subsidiary, Volkswagen International Finance N.V. Amsterdam/the Netherlands (issuer). Both mandatory convertible notes mature on November 9, 2015. The current minimum conversion price is €147.61, and the corresponding maximum conversion price is €177.13. The conversion price will be adjusted if certain events occur. The convertible notes will be settled by issuing new preferred shares no later than at maturity. The issuer is entitled to convert the mandatory convertible notes at any time at the minimum conversion price. The note terms and conditions also provide for early conversion options. This discretionary conversion right was exercised in the reporting period, with a total of €4 million of the notes being converted into 22,103 newly created preferred shares at the effective maximum conversion price at the conversion date.

IAS 33.23 sets out that all potential shares that will be issued upon the conversion of a mandatory convertible note must be accounted for as issued shares and included in the calculation of basic and diluted earnings per share. The number of outstanding preferred shares is therefore increased by the potential preferred shares that would be issued if the mandatory convertible notes issued were actually to be converted. The average number of preferred shares not yet converted that have to be included is calculated based on the maximum conversion ratio resulting from the current minimum conversion price of €147.61. The terms and conditions require the minimum conversion price to be adjusted following the distribution of dividends. The number of potential preferred shares was calculated retrospectively at the new minimum conversion price in accordance with IAS 33.26, including for the previous year. The finance costs associated with the mandatory convertible notes are not included in the calculation of consolidated profit because the interest component was recognized in other comprehensive income when the note was issued, and interest expense arises only from the amount of compound interest. Since the number of basic and diluted shares is identical, basic earnings per share also correspond to diluted earnings per share. In total, the existing mandatory convertible notes still entitle the holders to subscribe for a maximum of 25,032,179 no-par value preferred shares of Volkswagen AG, based on the current maximum conversion ratio.

		Q2		H1	
		2014	2013*	2014	2013*
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	197.4	188.3	196.3	187.7
diluted	million	197.4	188.3	196.3	187.7
Profit after tax	€ million	3,249	2,847	5,716	4,793
Noncontrolling interests	€ million	24	14	75	– 65
Profit attributable to Volkswagen AG hybrid capital investors	€ million	38	–	60	–
Profit attributable to Volkswagen AG shareholders	€ million	3,186	2,832	5,581	4,858
Earnings per share					
Ordinary shares: basic	€	6.47	5.86	11.33	10.04
diluted	€	6.47	5.86	11.33	10.04
Preferred shares: basic	€	6.47	5.86	11.39	10.10
diluted	€	6.47	5.86	11.39	10.10

* Prior-year figures adjusted to reflect application of IAS 33.26.

5. Noncurrent assets

CHANGES IN SELECTED NONCURRENT ASSETS BETWEEN JANUARY 1 AND JUNE 30, 2014

€ million	Carrying amount at Jan. 1, 2014	Additions/ Changes in consolidated Group	Disposals/ Other changes	Depreciation and amortization	Carrying amount at June 30, 2014
Intangible assets	59,243	2,527	51	1,957	59,762
Property, plant and equipment	42,389	3,707	84	3,552	42,459
Lease assets	22,259	6,655	2,403	2,330	24,181

6. Inventories

€ million	June 30, 2014	Dec. 31, 2013
Raw materials, consumables and supplies	3,843	3,716
Work in progress	3,455	3,096
Finished goods and purchased merchandise	20,170	18,284
Current lease assets	4,004	3,418
Payments on account	157	140
	31,630	**28,653**

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	June 30, 2014	Dec. 31, 2013
Trade receivables	13,489	11,133
Miscellaneous other receivables and financial assets	14,135	12,350
	27,624	**23,483**

In the period January 1 to June 30, 2014, impairment losses and reversals of impairment losses on noncurrent and current financial assets reduced operating profit by €250 million (previous year: €359 million).

8. Equity

Following the approval by the Annual General Meeting of MAN SE of the conclusion of the control and profit and loss transfer agreement between MAN SE and Truck & Bus GmbH on June 6, 2013, Volkswagen is obliged to pay a cash settlement to the remaining noncontrolling interest shareholders of MAN SE. For this reason, the noncontrolling interests in the equity of MAN SE and the interest in Scania AB attributable to those noncontrolling interest shareholders were derecognized from Group equity as of this date. At the same time, a liability was recognized in accordance with the cash settlement offer for the obligation to acquire the shares. MAN SE's profit or loss is attributed in full to the shareholders of Volkswagen AG. As of June 30, 2014, a total of 335,055 ordinary shares and 111,274 preferred shares had been tendered.

On March 14, 2014, Volkswagen AG published an offer to the shareholders of Scania Aktiebolag, Södertälje, ("Scania") to acquire all Scania shares. The offer was completed on May 13, 2014 and Volkswagen initiated a squeeze-out for the Scania shares that were not tendered in the course of the offer. Scania shares were delisted from the NASDAQ OMX Stockholm at the end of June 5, 2014. The Group's retained earnings were reduced by the total value of the offer amounting to €6,650 million as a capital transaction with noncontrolling interest shareholders recognized directly in equity. At the same time, the equity interest in Scania previously attributable to the noncontrolling interest shareholders in Scania amounting to €2,123 million was reclassified from noncontrolling interests to the reserves attributable to the shareholders of Volkswagen AG. The remaining noncontrolling interests are largely attributable to shareholders of RENK AG and AUDI AG. For information on the acquisition of the noncontrolling interests in Scania, see also the disclosures on the basis of consolidation.

In March 2014, Volkswagen AG placed unsecured subordinated hybrid notes with an aggregate principal amount of €3 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 (€1.25 billion and a coupon of 3.750%) is after seven years, and the first call date for the second tranche (€1.75 billion and a coupon of 4.625%) is after twelve 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 Annual General Meeting on April 19, 2012 resolved to create authorized capital of up to €110 million, expiring on April 18, 2017, for the issue of new ordinary bearer shares or preferred shares based. In June 2014, Volkswagen AG issued 10,471,204 new preferred shares (with a notional value of €27 million), with the result that the remaining authorized capital amounts to €83 million. Volkswagen AG recorded a cash inflow of €2,000 million from the capital increase, less transaction costs of €20 million.

In the first six months of 2014, Volkswagen AG issued 22,103 newly created preferred shares (notional value: €56,583.68) resulting from the exercise of mandatory convertible bonds. The subscribed capital is composed of 295,089,818 no-par value ordinary shares and 180,641,478 preferred shares, and amounts to €1,218 million (December 31, 2013: €1,191 million).

Volkswagen AG paid a dividend of €1,871 million in the reporting period (previous year: €1,639 million). €1,180 million of this amount (previous year: €1,033 million) was attributable to ordinary shares and €691 million (previous year: €606 million) to preferred shares.

9. Noncurrent financial liabilities

€ million	June 30, 2014	Dec. 31, 2013
Bonds, commercial paper and notes	56,762	51,630
Liabilities to banks	7,971	7,659
Deposit business	1,005	1,015
Other financial liabilities	1,122	1,213
	66,859	**61,517**

10. Current financial liabilities

€ million	June 30, 2014	Dec. 31, 2013
Bonds, commercial paper and notes	25,281	25,926
Liabilities to banks	10,034	11,305
Deposit business	23,561	22,310
Other financial liabilities	596	446
	59,472	**59,987**

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 2013 Annual Report.

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 (marketable securities) are carried at fair value. Changes in fair value are recognized directly in equity, net of deferred taxes.

Shares in unconsolidated subsidiaries and other equity investments that are not accounted for using the equity method 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 companies and fair values cannot be reliably ascertained without undue cost or effort. Fair values are recognized if there are indications that fair value is lower than cost. 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 the put options and compensation rights granted to noncontrolling interest shareholders is calculated using a present value model that is based on the expected cash settlement entitlement of the free float MAN and Scania shareholders. Risk-adjusted discount rates for matching maturities were applied. The calculation was also based on any cash compensation that might be payable and a minimum statutory interest rate.

The following table contains 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, 2013	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	2,666	2,666	–	–
Other financial assets	2,414	–	2,400	14
Current assets				
Other financial assets	1,680	–	1,662	18
Marketable securities	8,492	8,410	83	–
Noncurrent liabilities				
Other noncurrent financial liabilities	1,169	–	1,033	136
Current liabilities				
Other current financial liabilities	1,070	–	988	82

€ million	June 30, 2014	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	3,023	3,023	–	–
Other financial assets	2,125	–	2,090	35
Current assets				
Other financial assets	1,256	–	1,240	16
Marketable securities	8,557	8,557	–	–
Noncurrent liabilities				
Other noncurrent financial liabilities	1,171	–	1,027	145
Current liabilities				
Other current financial liabilities	1,321	–	1,261	60

The allocation of fair values to the three levels in the fair value hierarchy is based on the availability of observable market prices in an active market. Level 1 is used to report the fair value of financial instruments for which a quoted price is available. 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 such as exchange rates or yield curves using market-based valuation techniques. Level 3 fair values are calculated using valuation techniques that incorporate inputs that are not directly observable in active markets. In the Volkswagen Group, Level 3 fair values comprise long-term commodity futures because the prices available on the market must be extrapolated for measurement purposes. Options on equity instruments and residual value protection models are also reported in Level 3.

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, 2013	**119**	**60**
Foreign exchange differences	0	0
Total comprehensive income	– 68	– 117
recognized in profit or loss	– 60	– 100
recognized in other comprehensive income	– 8	– 17
Additions (purchases)	–	–
Sales and settlements	– 3	18
Transfers into Level 2	– 8	– 15
Balance at June 30, 2013	**40**	**144**
Total gains or losses recognized in profit or loss	**– 60**	**– 100**
Net other operating expense/income	– 58	– 131
of which attributable to assets/liabilities held at the reporting date	58	131
Financial result	– 2	31
of which attributable to assets/liabilities held at the reporting date	4	– 33

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2014	**32**	**218**
Foreign exchange differences	0	0
Total comprehensive income	30	14
recognized in profit or loss	25	14
recognized in other comprehensive income	4	1
Additions (purchases)	–	–
Sales and settlements	– 5	– 19
Transfers into Level 2	– 6	– 9
Balance at June 30, 2014	**51**	**205**
Total gains or losses recognized in profit or loss	**25**	**– 14**
Net other operating expense/income	–	–
of which attributable to assets/liabilities held at the reporting date	–	–
Financial result	25	– 14
of which attributable to assets/liabilities held at the reporting date	21	– 9

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 profit after tax and equity.

If commodity prices for commodity futures classified as Level 3 had been 10% higher (lower) as of June 30, 2014, profit would have been €29 million higher (lower) and equity would have been €12 million higher (lower).

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 profit.

If the assumed enterprise values had been 10% higher, profit would have been €1 million higher. If the assumed enterprise values had been 10% lower, profit would have been €1 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 June 30, 2014, profit after tax would have been €183 million higher. If the prices for the used cars covered by the residual value protection model had been 10% lower as of June 30, 2014, profit after tax would have been €183 million lower.

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.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2013

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT DEC. 31, 2013
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	
Noncurrent assets					
Equity-accounted investments	–	–	–	7,934	7,934
Other equity investments	2,666	1,274	1,274	–	3,941
Financial services receivables	–	51,198	53,200	–	51,198
Other financial assets	2,414	4,626	4,593	–	7,040
Current assets					
Trade receivables	–	11,133	11,133	–	11,133
Financial services receivables	–	38,386	38,386	–	38,386
Other financial assets	1,680	4,911	4,911	–	6,591
Marketable securities	8,492	–	–	–	8,492
Cash, cash equivalents and time deposits	–	23,178	23,178	–	23,178
Noncurrent liabilities					
Noncurrent financial liabilities	–	61,517	62,810	–	61,517
Other noncurrent financial liabilities	1,169	1,136	1,153	–	2,305
Current liabilities					
Put options and compensation rights granted to noncontrolling interest shareholders	–	3,638	3,563	–	3,638
Current financial liabilities	–	59,987	59,987	–	59,987
Trade payables	–	18,024	18,024	–	18,024
Other current financial liabilities	1,070	3,456	3,456	–	4,526

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF JUNE 30, 2014

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT JUNE 30, 2014
	Carrying amount	Carrying amount	Fair value	Carrying amount	
Noncurrent assets					
Equity-accounted investments	–	–	–	7,030	7,030
Other equity investments	3,023	1,335	1,335	–	4,358
Financial services receivables	–	54,168	55,919	–	54,168
Other financial assets	2,125	4,665	4,678	–	6,790
Current assets					
Trade receivables	–	13,489	13,489	–	13,489
Financial services receivables	–	40,753	40,753	–	40,753
Other financial assets	1,256	6,472	6,472	–	7,728
Marketable securities	8,557	–	–	–	8,557
Cash, cash equivalents and time deposits	–	20,002	20,002	–	20,002
Noncurrent liabilities					
Noncurrent financial liabilities	–	66,859	68,761	–	66,859
Other noncurrent financial liabilities	1,171	1,201	1,231	–	2,372
Current liabilities					
Put options and compensation rights granted to noncontrolling interest shareholders	–	3,548	3,690	–	3,548
Current financial liabilities	–	59,472	59,472	–	59,472
Trade payables	–	19,179	19,179	–	19,179
Other current financial liabilities	1,321	3,395	3,395	–	4,716

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, bills, cash-in-hand and call deposits.

€ million	June 30, 2014	June 30, 2013
Cash, cash equivalents and time deposits as reported in the balance sheet	20,002	21,639
of which: time deposits and restricted cash	– 1,789	– 710
Cash and cash equivalents as reported in the cash flow statement	**18,213**	**20,928**

Cash inflows from financing activities in the current year are attributable primarily to the issuance of bonds in the amount of €14,874 million (previous year: €12,637 million), inflows from the issuance of hybrid notes in the amount of €2,952 million (see note 8), the issuance of new preferred shares amounting to €1,980 million and the change in other financial liabilities amounting to €917 million (previous year: €672 million). They are offset mainly by cash outflows from the repayment of bonds amounting to €11,961 million (previous year: €8,462 million), the acquisition of shares of Scania AB amounting to €6,535 million and dividend payments amounting to €1,875 million (previous year: €1,848 million).

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 is managed by its own board of management. The Group targets and requirements laid down by the Board of Management of Volkswagen AG or the Group Board of Management must be complied with to the extent permitted by law. 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. As a rule, the Volkswagen Group's individual passenger car brands are combined on a consolidated basis into a single reportable segment.

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.

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, as well as fleet management.

In the segment structure, 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 operating profit or loss.

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: H1 2013

€ million	Passenger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	73,699	12,815	1,827	10,255	98,596	92	98,687
Intersegment sales revenue	4,836	2,525	3	918	8,282	– 8,282	–
Total sales revenue	78,535	15,340	1,830	11,173	106,878	– 8,190	98,687
Segment profit or loss (operating profit or loss)	5,522	426	– 348	826	6,425	– 645	5,780

REPORTING SEGMENTS: H1 2014

€ million	Passenger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	74,112	12,121	1,632	10,722	98,587	221	98,808
Intersegment sales revenue	6,324	2,578	2	1,042	9,947	– 9,947	–
Total sales revenue	80,437	14,699	1,634	11,764	108,533	– 9,725	98,808
Segment profit or loss (operating profit or loss)	5,528	509	4	924	6,965	– 780	6,186

RECONCILIATION

	H1	
€ million	2014	2013
Segment profit or loss (operating profit or loss)	**6,965**	**6,425**
Unallocated activities	74	83
Group financing	15	– 22
Consolidation	– 869	– 706
Operating profit	**6,186**	**5,780**
Financial result	**1,591**	**839**
Consolidated profit before tax	**7,777**	**6,620**

14. Related party disclosures

At 50.73%, Porsche SE holds the majority of the voting rights in Volkswagen AG.

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 can no longer 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 continues to have the power to participate in the operating policy decisions of the Volkswagen Group.

	SUPPLIES AND SERVICES RENDERED H1		SUPPLIES AND SERVICES RECEIVED H1	
€ million	2014	2013	2014	2013
Porsche SE	10	4	3	8
Supervisory Board members	2	1	2	2
Unconsolidated subsidiaries	425	438	295	272
Joint ventures and their majority interests	7,174	6,725	577	571
Associates and their majority interests	73	135	145	155
State of Lower Saxony, its majority interests and joint ventures	2	3	2	1

	RECEIVABLES (INCL. COLLATERAL RECEIVED) FROM		LIABILITIES (INCL. OBLIGATIONS) TO	
€ million	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013
Porsche SE	355	361	1,107	419
Supervisory Board members	1	0	178	165
Unconsolidated subsidiaries	1,049	1,172	573	587
Joint ventures and their majority interests	6,821	5,758	2,286	2,064
Associates and their majority interests	50	26	90	73
State of Lower Saxony, its majority interests and joint ventures	1	2	0	0

The supplies and services received from joint ventures and associates in the first six months do not include resolved dividend distributions amounting to €2,925 million (previous year: €2,744 million).

The supplies and services received from Porsche SE relate, among other things, to standard market liability compensation for guarantees assumed. The supplies and services rendered to Porsche SE relate mainly to interest income on loans granted.

The receivables from Porsche SE comprise a receivable under a loan agreement and receivables from land transfer taxes. The obligations to Porsche SE consist mainly of term deposits and interest payable.

Obligations to members of the Supervisory Board relate primarily to interest-bearing bank balances of Supervisory Board members amounting to €174 million that were invested at standard market terms and conditions at Volkswagen Group companies.

Obligations to joint ventures contain miscellaneous other financial obligations under an irrevocable credit commitment in the amount of €1.3 billion to LeasePlan Corporation N.V., Amsterdam, the Netherlands, a Volkswagen Group joint venture, with a term until December 2015.

15. Litigation

Volkswagen AG's Annual Report for fiscal year 2013 contains detailed information on litigation and other legal proceedings. The antitrust proceedings opened in 2011 by the Korean Fair Trade Commission against several truck manufacturers, including local subsidiaries of MAN and Scania, were brought to a close at the end of fiscal year 2013 with decisions to impose administrative fines on all manufacturers involved. MAN and Scania have lodged appeals at the competent court against the administrative fines imposed on them.

There have been no other significant changes since the publication of the 2013 Annual Report.

16. Contingent assets and liabilities

There were no significant changes as of June 30, 2014 in the contingent assets and liabilities described in the 2013 Annual Report.

17. Other financial obligations

The other financial obligations increased by €2,558 million compared with the 2013 consolidated financial statements to €26,928 million, due in particular to an increase in purchase commitments for items of property, plant and equipment, and intangible assets, because of initiated or planned investment projects.

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 six months of 2014.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in accordance with German accepted accounting principles, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Wolfsburg, July 31, 2014

Volkswagen Aktiengesellschaft

The Board of Management

Martin Winterkorn	Francisco Javier Garcia Sanz	Jochem Heizmann
Christian Klingler	Michael Macht	Horst Neumann
Leif Östling	Hans Dieter Pötsch	Rupert Stadler

Review Report

This report was originally prepared in German. In case of ambiguities the German version shall prevail:

Review Report

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 June 30, 2014, which are part of the half-yearly 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 IFRSs 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 Management. 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 IFRSs 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 IFRSs 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.

Hanover, July 31, 2014

PricewaterhouseCoopers
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FINANCIAL CALENDAR

October 30, 2014
Interim Report January – September 2014

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