PORSCHE SE

Half-yearly financial report

1 January – 30 June

2016

Investments of Porsche SE

PORSCHE SE

Core Investment

Stake of ordinary shares: 52.2 %
(Represents a stake of subscribed capital: 30.8 %)

VOLKSWAGEN
AKTIENGESELLSCHAFT

Volkswagen	Audi	SEAT	ŠKODA
BENTLEY	BUGATTI	LAMBORGHINI	PORSCHE
DUCATI	Commercial Vehicles	SCANIA	MAN

VOLKSWAGEN FINANCIAL SERVICES
AKTIENGESELLSCHAFT

Further Investment

Share of total capital: ~ 10 %

INRIX

Status 30 June 2016

1 January – 30 June

2016

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Interim group management report

Porsche Automobil Holding SE (“Porsche SE” or the “company”), as the ultimate parent of the Porsche SE Group, is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. As of 30 June 2016, the Porsche SE Group had 32 employees (31 December 2015: 32 employees).

Porsche SE is a holding company. In particular, it holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft, Wolfsburg (“Volkswagen AG” or “Volkswagen”), one of the leading automobile manufacturers in the world. The Volkswagen Group comprises twelve brands from seven European countries: Volkswagen passenger cars, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen commercial vehicles, Scania and MAN. In addition, Porsche SE holds shares in the US technology company INRIX Inc., Kirkland, Washington, USA (“INRIX”). INRIX is a world leader in the field of connected-car services and real-time traffic information.

In addition to these investments, Porsche SE plans to acquire further strategic investments. Porsche SE’s principal criteria for future investments are the connection to the automotive value chain, and above-average growth potential based on macroeconomic trends and industry-specific trends derived from them.

The automotive value chain comprises the entire spectrum of basic technologies geared to supporting the development and production process through to vehicle- and mobility-related services. The relevant macro trends include, for example, sustainability and conservation of resources, demographic change, urbanization and the increasingly networked automotive world. The industry-specific trends derived from these include new materials and drive concepts, shorter product life cycles and rising customer demands regarding safety and connectivity.

Porsche SE’s investment focus is therefore on strategic investments in companies that meet these criteria and contribute to the goal of achieving sustainable value enhancement. New investment opportunities are examined on an ongoing basis.

Significant events and developments

Significant events and developments in the Porsche SE Group

Significant events and developments in the Porsche SE Group are presented in the following. The explanations refer to events and developments in the second quarter of the fiscal year 2016, unless reference is made in this section to another time period.

Emissions issue at the level of the Volkswagen Group

On 18 September 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a notice of violation that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. This was followed by further reports on the scope of the diesel issue. Mainly due to further legal risks relating primarily to North America, additional negative special items had to be recognized at the level of the Volkswagen Group in the first half of 2016. As the majority shareholder, Porsche SE continues to be affected by this issue, particularly with regard to its profit/loss from investments accounted for at equity. Furthermore, the proportionate market capitalization of its investment in Volkswagen AG is influenced by the respective development of the price of Volkswagen ordinary and preference shares. Despite the decrease in the proportionate market capitalization since the diesel issue began, there is again no need to recognize an impairment loss for the investment in Volkswagen AG based on the earnings forecasts, even taking into consideration new findings; the underlying impairment test was updated accordingly. However, particularly an increase in the costs of mitigating the diesel issue might lead to an impairment in the value of the investment; legal risks from claims brought against Porsche SE stemming from this issue may also have an effect on Porsche SE's results of operations, financial position and net assets. Finally, there may be subsequent effects on the dividend policy of Volkswagen AG and therefore on the cash inflows at the level of Porsche SE. For details of this matter, please refer to the explanations of the significant events at the Volkswagen Group in this interim group management report as well as to the "Significant events at the Volkswagen Group", the explanatory notes on the results of operations, financial position and net assets, and the "Outlook" section in the group management report and management report in the consolidated financial statements for 2015. The executive board of Porsche SE remains committed to the company's role as Volkswagen AG's long-term anchor shareholder and is still convinced of the Volkswagen Group's potential for increasing value added.

Annual general meeting

The annual general meeting of Porsche SE, which was attended by around 4,700 shareholders, was held in the Porsche-Arena in Stuttgart on 29 June 2016. The dividend approved for the fiscal year 2015 amounted to €1.010 per share to holders of preference shares and €1.004 per share to holders of ordinary shares. In the prior year, the dividend had been €2.010 per ordinary share and €2.004 per preference share. The amount distributed for the fiscal year 2015 therefore totaled €308,393,750. The amount distributed for the fiscal year 2014 had amounted to €614,643,750. The executive board and supervisory board were exonerated.

Significant developments and current status relating to litigation risks and legal disputes

For several years, Porsche SE has been involved in various legal proceedings. The main developments of the legal proceedings up to the time when the half-yearly financial report was authorized for issue are presented in the following:

Actions for damages concerning the expansion of the investment in Volkswagen AG
Against Porsche SE six actions are pending with the Regional Court of Hanover. Subject of those actions are alleged damage claims based on alleged market manipulation and alleged inaccurate information in connection with Porsche SE's acquisition of the shareholding in Volkswagen AG. On 13 April 2016, the Regional Court of Hanover decided with respect to applications for establishment of a model case according to the Capital Markets Model Case Act (KapMuG) motions brought forward in four of the six pending proceedings to refer in total 83 of the establishment objectives asserted by the plaintiffs to the Higher Regional Court of Celle. On 11 May 2016 the Regional Court of Hanover suspended all six proceedings pending before it against Porsche SE up until a final decision about the establishment objectives in the model case before the Higher Regional Court of Celle. In one of the proceedings the plaintiffs filed an immediate appeal against the suspension decision. The suspension decisions rendered in the other proceedings are final. On 14 June 2016 one plaintiff filed an application for extension of the model case. The plaintiff applied for an amendment of three establishment objectives that are already subject of the order for reference of 13 April 2016 and for extension of the model case by 44 new establishment objectives. A decision on this application has not been taken yet. Porsche SE is of the opinion that the plaintiff's establishment objectives, as far as they are or become subject of the model case, are without merit and therefore are rejected.

The proceedings that are (in part finally) suspended with respect to the model case are the following:

At the end of 2011, six plaintiffs asserting damages from their own rights and one plaintiff asserting damages from allegedly assigned rights of six other claimants filed an action for damages against Porsche SE, which is pending before the Regional Court of Hanover. In this action, the plaintiffs last alleged overall damages of about €1.81 billion (plus interest) based on alleged market manipulation and alleged inaccurate information in connection with the acquisition of the shareholding in Volkswagen AG by Porsche SE. During two oral hearings on 6 and 7 May 2015 evidence was taken through examination of two witnesses. By court order dated 11 May 2016 the Regional Court of Hanover suspended the proceeding until a final decision on the establishment objectives in the model case before the Higher Regional Court of Celle has been taken. The plaintiffs have filed an immediate appeal against the suspension decision. Porsche SE considers these claims to be without merit.

At the end of 2011, ARFB Anlegerschutz UG (haftungsbeschränkt), Berlin, brought two actions before the Regional Court of Braunschweig against Porsche SE based on claims for damages in an amount of around €1.92 billion (plus interest) allegedly assigned to it by 69 investment funds, insurance companies and other companies. In each case, the plaintiff alleges that, in 2008, on the basis of inaccurate information and the omission of information as well as market manipulation by Porsche SE, the companies behind the complaints either failed to participate in price increases of ordinary shares in Volkswagen AG and, hence, lost profits or entered into derivatives relating to ordinary shares in Volkswagen AG and incurred losses from these transactions due to the share price development in the amount claimed. During the oral hearings before the Regional Court of Braunschweig on 10 December 2014, the plaintiff filed an application for establishment of a model case according to the KapMuG and filed as a precautionary measure a motion to refer the case. By decisions of 4 March 2015, the Regional Court of Braunschweig referred the case to the Regional Court of Hanover as the competent court for antitrust matters because the plaintiff based its alleged claims also on antitrust law. In November 2015, the plaintiff broadened the scope of the action and has been claiming alleged damages in an amount of around €2.7 billion (plus interest) since. An oral hearing was held on 8 December 2015 at the Regional Court of Hanover. By court order dated 11 May 2016 the Regional Court of Hanover suspended the proceeding until a final decision on the establishment objectives in the model case before the Higher Regional Court of Celle has been taken. Porsche SE considers these claims to be without merit.

An individual filed an action against the company in the amount of approximately €1.3 million (plus interest) with the Regional Court of Stuttgart in August 2012 based on asserted damage claims due to allegedly inaccurate information and the omission of information. After a first referral of the case to the Regional Court of Braunschweig and an oral hearing before this court, the case was referred to the antitrust chamber of the Regional

Court of Hanover in accordance with a request of the plaintiff. By a pleading of 18 February 2015, the plaintiff filed an application for establishment of a model case according to the KapMuG. An oral hearing was held on 8 December 2015 at the Regional Court of Hanover. By court order dated 11 May 2016 the Regional Court of Hanover suspended the proceeding until a final decision on the establishment objectives in the model case before the Higher Regional Court of Celle has been taken. Porsche SE considers the claim to be without merit.

In September 2012, another company filed an action against Porsche SE in the amount of approximately €213 million (plus interest) with the Regional Court of Braunschweig. The plaintiff claims that it entered into options relating to ordinary shares in Volkswagen AG in 2008 on the basis of inaccurate information and the omission of information by Porsche SE and that it incurred losses from these options due to the share price development in the amount claimed. By decision dated 10 June 2015, the Regional Court of Braunschweig referred the case to the Regional Court of Hanover as the competent court for antitrust matters because the plaintiff based its alleged claims also on antitrust law. By court order dated 11 May 2016 the Regional Court of Hanover suspended the proceeding until a final decision on the establishment objectives in the model case before the Higher Regional Court of Celle has been taken. Porsche SE considers the claim to be without merit.

In March 2015, 32 companies (hedge funds, pension funds and other investment funds) filed claims for damages against Porsche SE before the Regional Court of Braunschweig. In this action, the plaintiffs at first asserted overall damages of about €507 million (plus interest) based on allegedly inaccurate information and the alleged omission of information and have filed an application for establishment of a model case according to the KapMuG. By decision dated 10 June 2015, the Regional Court of Braunschweig referred the case to the Regional Court of Hanover as the competent court for antitrust matters because the plaintiffs based their alleged claims also on antitrust law. In November 2015, the plaintiffs had broadened the scope of the action and asserted from this time on damages in an amount of around €703 million (plus interest). An oral hearing was held on 8 December 2015 at the Regional Court of Hanover. By interim judgment dated 12 January 2016, the court assigned 25 of the 32 plaintiffs to provide a security for costs for the legal procedures. By letter dated 3 March 2016, two plaintiffs withdrew their claims. After this withdrawal, the total of all remaining claims in this action amounts to €658 million (plus interest). By court order dated 11 May 2016 the Regional Court of Hanover suspended the proceeding until a final decision on the establishment objectives in the model case before the Higher Regional Court of Celle has been taken. Porsche SE considers these claims to be without merit.

Furthermore the following proceedings in connection with the alleged market manipulation are or were pending:

In January 2013, another individual had substantiated his claim in the amount of around €130,000 (plus interest) based on allegedly inaccurate information and omission of information, previously asserted by reminder notice. The Regional Court of Braunschweig dismissed the plaintiff's action by decision dated 30 July 2014. The appeal lodged by the plaintiff was dismissed by the Higher Regional Court of Braunschweig by decision of 12 January 2016. The court thus confirmed the dismissal by the Regional Court of Braunschweig. The judgment is final.

On 30 April 2013, a group of plaintiffs filed a complaint against Porsche SE at the Regional Court of Stuttgart and asserted claims for damages based on allegations of market manipulation and inaccurate information in connection with the acquisition of the shareholding in Volkswagen AG in 2008. The Regional Court of Stuttgart dismissed the action by decision of 17 March 2014. The four plaintiffs who did not file appeals originally had asserted claims for damages in the amount of approximately €177 million (plus interest). Hence, the remaining claims for damages asserted in the appellate proceedings amounted to approximately €1.18 billion (plus interest). The Higher Regional Court of Stuttgart dismissed the appeals by decision of 26 March 2015 and thus confirmed the dismissal by the Regional Court of Stuttgart. Leave to appeal on points of law was not permitted. All 19 plaintiffs have lodged a complaint against the refusal of leave to appeal on points of law to the Federal Court of Justice (Bundesgerichtshof). A decision on the complaint against the refusal of leave to appeal has not yet been made. Porsche SE considers these claims to be without merit.

Based on the same alleged claims, that are already subject of the action concerning alleged damages of €1.81 billion (plus interest) pending against Porsche SE before the Regional Court of Hanover, the same plaintiffs filed an action against two members of the supervisory board of Porsche SE before the Regional Court of Frankfurt am Main in September 2013. Porsche SE joined the proceeding as intervener in support of the two supervisory board members. A trial date for hearing the case took place on 30 April 2015. By interim judgment dated 21 May 2015, the court assigned six of the seven plaintiffs to provide a security for costs for the legal procedures. Porsche SE considers these claims to be without merit.

On 7 June 2012, Porsche SE filed an action against two companies of an investment fund for declaratory judgment with the Regional Court of Stuttgart that alleged claims in the amount of around US$ 195 million do not exist. The investment fund had asserted out-of-court that Porsche SE had made false and misleading statements in connection with its acquisition of a stake in Volkswagen AG during 2008. Therefore the investment fund announced that it intended to file the alleged claim before a court in England. On 18 June 2012, the investment fund filed an action against Porsche SE with the Commercial Court in England. On 6 March 2013, the English proceedings were suspended at the request of both parties until a final decision had been reached in the proceedings begun at the Regional Court of Stuttgart concerning the question of which court is the court first seized. On 24 July 2013, the Regional Court of Stuttgart decided that the Regional Court of Stuttgart is the court first seized. This decision of the Regional Court of Stuttgart was appealed by way of an immediate appeal by one of the defendants. By decision dated 28 November 2013, the Regional Court of Stuttgart did not allow the appeal and submitted the appeal to the Higher Regional Court of Stuttgart for a decision. By decision dated 30 January 2015, the Higher Regional Court of Stuttgart dismissed the immediate appeal. The defendant has filed an appeal on points of law to the Federal Court of Justice. A decision on the appeal has not been taken yet. Porsche SE considers the action filed in England to be inadmissible and the asserted claims to be without merit.

Investigations and criminal proceedings concerning the expansion of the investment in Volkswagen AG

In December 2012, charges were brought against the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter with the chamber of the Regional Court of Stuttgart responsible for economic offenses on suspicion of information-based manipulation of the market in Volkswagen shares. The accused were held responsible for five false declarations made and issued in public statements of the company at their instigation in the period from 10 March 2008 to 2 October 2008 relating to the acquisition of the shareholding in Volkswagen AG. In these statements Porsche SE allegedly denied any intention to step up its investment to 75% of the voting capital even though it was allegedly by February 2008 at the latest already the intent of the accused former members of the executive board to increase Porsche SE's investment in Volkswagen AG to 75% of the voting capital before the end of the first quarter of 2009 in preparation for a control and profit and loss transfer agreement. By indictment dated 10 June 2015, the Stuttgart public prosecutor brought further charges against the two former executive board members concerning the press release by Porsche SE of 26 October 2008. The public prosecutor raised the accusation that the press release of 26 October 2008 had been misleading because it suggested that in the future there would only be just a few Volkswagen ordinary shares available in the market, thus generating the false impression of a long-term narrow market. Furthermore the public prosecutor raised the accusation that the press release contained a recommendation to short sellers of Volkswagen ordinary shares to purchase Volkswagen ordinary shares under pretense of alleged altruism and concealment of alleged selfish motives. By judgment as of 18 March 2016 the Regional Court of Stuttgart found the two former members of the executive board of Porsche SE not guilty concerning all charges. Consequently, the Regional Court of Stuttgart also dismissed the Stuttgart public prosecutor's motion for imposing a fine of €807 million against Porsche SE. According to the opinion of the chamber, the six indicted statements made in the period from 10 March 2008 to 26 October 2008 were neither false, nor misleading or deceitful in any other way. Furthermore, it had not been proven that the six accused statements actually influenced the stock-market price of Volkswagen ordinary shares and that – with regard to the alleged 'denials' made between 10 March and 2 October 2008 – they were even suitable to influence the Volkswagen share's stock-market price. Based on the findings of the main proceeding the chamber does not see any proof with regard to the five statements made between 10 March 2008 and 2 October 2008 that the accused members of the executive board had decided to acquire 75% of the voting capital of Volkswagen AG prior to or during this period of time. In particular, there was no concealed plan of the accused and there were no untruthful denials in the indicted statements. With regard to the press release of 26 October 2008, the taking of evidence revealed that the accused neither misled nor deceived in any other way the capital market. In particular, contrary to the accusation of the public prosecutor's office, a termination-induced collapse of the options positions built up by Porsche SE was not imminent. That decreasing stock-market prices had been 'foreseeable' and had caused liquidity problems for Porsche SE had also not been proven during the main proceedings. Furthermore there had not been problems such as in relation to the risk bearing ability of a bank involved in setting up the option strategy. In addition the taking of evidence did not confirm the further accusation whereupon the accused issued the press release and thereby concealed selfish motives and gave a recommendation to purchase Volkswagen AG shares. The Stuttgart public prosecutor had lodged an appeal on points of law to the Federal Court of Justice but withdrawn it before expiry of the period for substantiation of the appeal. Hence the judgment is final in its entirety.

In February 2013, it became known that the Stuttgart public prosecutor had launched investigations against all members of the supervisory board of Porsche SE from 2008 and a former employee with the allegation of jointly aiding and abetting violation of the prohibition on market manipulation by omission as charged against Dr. Wendelin Wiedeking and Holger P. Härter in the indictment of 17 December 2012. On 7 August 2015, charges were brought against the former employee with the Regional Court of Stuttgart on suspicion of aiding and abetting violation of the prohibition in market manipulation. A decision on the opening of the main proceedings has not yet been made. According to a press release of the Stuttgart public prosecutor dated 17 August 2015, the investigations against the members of the supervisory board had been terminated according to Sec. 170 (2) of the German Code of Criminal Procedure (StPO) due to a lack of sufficient suspicion of a criminal act.

Porsche SE considers all allegations made in the aforementioned investigations and criminal proceedings to be without merit.

Legal proceedings and legal risks in connection with the diesel issue

In connection with the emissions or diesel issue (for a description see section “The emissions issue” in the chapter “Significant events at the Volkswagen Group” in the consolidated financial statements for 2015 and in the section “Significant events at the Volkswagen Group” in this interim group management report) the following claims have been asserted against Porsche SE:

In October 2015, a minority shareholder of Volkswagen AG filed a (partial) claim against Porsche SE with the Regional Court of Munich II, concerning damage claims in the amount of €10,000 (plus interest) to be paid to Volkswagen AG. Subject of this action are alleged damages incurred by Volkswagen AG and its minority shareholders in connection with the diesel issue which Porsche SE is alleged to have caused. An oral hearing on the admissibility of the action was held on 21 April 2016. On 12 May 2016 the Regional Court of Munich II declared that it does not have jurisdiction for this case and referred the case to the Regional Court of Stuttgart. Porsche SE considers the action to be inadmissible and without merit.

At the end of April 2016 a shareholder filed a claim against Porsche SE with the Regional Court of Stuttgart concerning damage claims in the amount of €5.7 million (plus interest) and filed an application for establishment of a model case according to the KapMuG. Subject of this action are alleged stock price losses allegedly incurred by the plaintiff in connection with the diesel issue which Porsche SE is alleged to have caused by omission of capital market information. A trial date has not been scheduled yet. Porsche SE considers the action to be without merit.

In June 2016 another shareholder filed a claim against Porsche SE with the Regional Court of Stuttgart concerning damage claims in the amount of €9,000 (plus interest) and filed an application for establishment of a model case according to the KapMuG. Subject of this action are alleged stock price losses allegedly incurred by the plaintiff in connection with the diesel issue which Porsche SE is alleged to have caused by omission of capital market information. A trial date has not been scheduled yet. Porsche SE considers the action to be without merit.

In November 2015, a purchaser of a Volkswagen and an Audi diesel vehicle filed a class action lawsuit in the U.S. District Court for the Eastern District of Michigan against, among others, Volkswagen AG and Porsche SE. The plaintiff, purporting to represent a nationwide class of U.S. purchasers, alleges that the defendants fraudulently induced customers to purchase Volkswagen, Audi and Porsche diesel vehicles that contain illegal defeat devices intended to circumvent U.S. emissions standards and do not perform as advertised. Claiming that these vehicles have diminished in value, the plaintiff seeks substantial damages on behalf of the class, including punitive damages and treble damages under U.S. law. In addition, the plaintiff seeks, inter alia, injunctive relief in the form of a vehicle buy-back program, recall, and/or reimbursement of the purchase. The action has been transferred to the U.S. District Court for the Northern District of California for consolidated pre-trial proceedings with other actions involving similar allegations. On 22 February 2016 other plaintiffs in the multi-district litigation filed three consolidated amended complaints on behalf of putative classes of owners and lessees (including the plaintiff in the Eastern District of Michigan action against Porsche SE), dealers and reseller dealerships. Porsche SE was not named as a defendant in any of those three complaints. The question whether any claims against Porsche SE have survived after the filing of the consolidated amended complaints has not been decided yet. On 28 June 2016, Volkswagen AG, Audi AG, and Volkswagen Group of America, Inc. reached a class action settlement agreement with plaintiffs in the multi-district litigation to settle the claims of a settlement class of certain owners and lessees, including reseller dealerships, of Volkswagen and Audi 2.0 l TDI diesel engine vehicles in the United States. The class action settlement agreement is subject to court approval and does not resolve claims related to Volkswagen, Audi and Porsche 3.0 l TDI diesel engine vehicles. Regarding the further content of the settlement agreement reference is made to the description in section “Significant events at the Volkswagen Group”). If and when the class action settlement agreement is finally approved and becomes effective, members of the settlement class who do not opt out will release all claims against Volkswagen AG and its affiliates, including Porsche SE, relating to the emissions issue as it pertains to Volkswagen and Audi 2.0 l TDI diesel engine vehicles in the United States. On 26 July 2016, the U.S. District Court for the Northern District of California held a hearing at which it granted preliminary approval of the class action settlement agreement. A final approval hearing has been set for 18 October 2016. The effect of the class action settlement agreement on claims raised against Porsche SE in the Eastern District of Michigan concerning Volkswagen and Audi 2.0 l TDI diesel engine vehicles cannot yet be determined, given that the class action settlement agreement has not yet been finally approved and the time to opt out has not yet expired. In any event, Porsche SE considers any remaining claims against it, including any claims concerning Volkswagen, Audi, and Porsche 3.0 l TDI diesel engine vehicles, to be without merit.

Since October 2015, 18 persons who have not yet filed a lawsuit have made out-of-court claims against Porsche SE in connection with the diesel issue. In part, the alleged claims have not yet been quantified. As far as the alleged claims have been quantified by the plaintiffs, the damage claims amount to a total of around €700,000 (without interest). The plaintiffs maintain to have bought preference shares of Porsche SE prior to the diesel issue coming to light which allegedly lost value after the issue became public in September 2015. The plaintiffs demand compensation for the asserted loss caused by inaccurate capital market information or the omission of such information by Porsche SE. Porsche SE considers the claims to be without merit and has rejected them.

Proceedings regarding shareholders' actions

A shareholder has filed an action of nullity and for annulment before the Regional Court of Stuttgart regarding the resolutions of the annual general meeting on 30 April 2013 on the exoneration of the executive board and the supervisory board for the fiscal year 2012, the election of five persons as members of the supervisory board as well as the resolution to refuse the motion to vote out the chairman of the general meeting. The Regional Court of Stuttgart dismissed the action by decision of 23 September 2014. The shareholder appealed this decision. By decision dated 8 July 2015, the Higher Regional Court of Stuttgart dismissed the appeal and thus confirmed the dismissal of the action by the Regional Court of Stuttgart. Leave to appeal on points of law was not permitted. The complaint against the refusal of leave to appeal filed by the shareholder was dismissed by the Federal Court of Justice by decision of 31 May 2016. Therefore, the judgment is final.

The same shareholder has also filed an action of nullity and for annulment regarding the resolutions of the annual general meeting on 27 May 2014 as well as a precautionary action for determination that a shareholders' resolution has been adopted before the Regional Court of Stuttgart. Subject of the actions are the shareholders' resolutions on the exoneration of the executive board and the supervisory board for the fiscal year 2013 as well as the resolution to refuse the motion to vote out the chairman of the general meeting. As a precautionary measure, the shareholder additionally filed an action for determination that a shareholders' resolution has been adopted regarding the motion to vote out the chairman of the general meeting. An oral hearing was held on 22 March 2016 at the Regional Court of Stuttgart. The Regional Court of Stuttgart has adjourned the date for rendition of a decision from 7 June 2016 to 27 September 2016. Porsche SE considers the action to be partially inadmissible and in any event to be without merit.

Furthermore, the same shareholder claims a right to information against Porsche SE before the Regional Court of Stuttgart. With this motion, the disclosure of questions asked at the annual general meeting in 27 May 2014 is demanded. An oral hearing was held on 22 March 2016 at the Regional Court of Stuttgart. The Regional Court of Stuttgart has adjourned the date for rendition of a decision from 7 June 2016 to 27 September 2016. Porsche SE considers the motion to be without merit.

Significant events at the Volkswagen Group

In the second quarter of the fiscal year 2016, there were the following significant events at the Volkswagen Group:

Diesel issue

Volkswagen reaches settlement agreements
In June 2016, Volkswagen publicly announced that Volkswagen AG, Volkswagen Group of America, Inc. and certain other companies of the Volkswagen Group with regard to the “multi-district litigation” pending in California had reached settlement agreements in the USA with the U.S. Department of Justice (DOJ), the U.S. Environmental Protection Agency (EPA), the U.S. Federal Trade Commission, the California Air Resources Board (CARB) and private plaintiffs represented by a Plaintiffs’ Steering Committee (PSC). The settlement agreements, if finally approved, will resolve certain civil claims made in relation to affected diesel vehicles with 2.0 l TDI engines from the Volkswagen passenger cars and Audi brands in the USA. The settlement agreements are subject to final court approval.

The proposed settlements provide affected customers with the option of a buyback or, for leased vehicles, early lease termination or a free technical modification of the vehicles, provided that EPA and CARB approve the appropriate modification measures. Volkswagen will also make cash payments to affected owners and lessees.

Volkswagen also agreed to support environmental programs. The company will pay USD 2.7 billion over three years into an environmental trust, managed by a trustee appointed by the court, to offset excess NO_x emissions. Volkswagen will also invest in total USD 2.0 billion over 10 years in zero emissions vehicle infrastructure as well as corresponding access and awareness initiatives.

Volkswagen also reached separate settlement agreements with the attorneys general of 44 US states, the District of Columbia and Puerto Rico, to resolve their existing or potential consumer protection and unfair trade practice claims – in connection with both 2.0 l TDI and 3.0 l TDI vehicles in the USA – for a settlement amount of USD 603 million.

These settlements do not resolve the civil claims by the DOJ, FTC and private plaintiffs represented by the PSC related to 3.0 l TDI vehicles, penalties sought by the DOJ on behalf of the EPA, potential state environmental claims related to the 2.0 l and 3.0 l TDI vehicles, any criminal investigations by the DOJ, as well as certain other claims.

Civil US claims focusing on penalties for alleged violations of environmental laws

On 19 July 2016, the US states Maryland, Massachusetts and New York filed complaints in their respective state courts against Volkswagen AG, Volkswagen Group of America, Inc. and certain other companies of the Volkswagen Group seeking penalties and injunctive relief for alleged violations of environmental laws. Maryland, Massachusetts and New York participated in the state settlements described above with respect to consumer protection and unfair trade practice claims, but those settlements did not include claims for environmental penalties.

To protect against the currently known legal risks, including suitable expenses for defense and legal advice related to the diesel issue, the current information and assessments in the reporting period at the level of the Volkswagen Group indicated a requirement to recognize additional provisions of €1.7 billion. Unused provisions for legal risks amounting to €0.4 billion were reversed.

The provisions for legal risks recognized in connection with the diesel issue continue to be subject in part to substantial estimation risks in light of the complexity of the individual factors, the ongoing approval process with the authorities and the fact that the comprehensive, exhaustive investigations have not yet been completed.

German Federal Motor Transport Authority approves technical solutions

In the first half of 2016, the Kraftfahrzeug-Bundesamt (KBA –German Federal Motor Transport Authority) approved the technical solutions for more than 3.7 million Volkswagen Group vehicles fitted with EA 189 2.0 l TDI engines. For the Volkswagen passenger cars brand, modification of models in the Tiguan, Passat, Golf and Touran series, among others, has now been approved. The recall process has also begun at Audi. The KBA has issued approvals for a series of model A4, A3, Q3 and Q5 vehicles. The SEAT, ŠKODA and Volkswagen commercial vehicles brands have also begun modifying vehicles.

The KBA has issued unqualified confirmation, for the vehicles approved so far, that fuel consumption, performance figures and noise emissions are unaffected by the modifications. Following implementation of the technical solutions, these vehicles will therefore fulfill all legal requirements.

Antitrust proceedings

In 2011, the European Commission opened antitrust proceedings against European truck manufacturers concerning inappropriate exchange of information during the period 1997-2011 and sent a statement of objections to MAN, Scania and the other truck manufacturers concerned in November 2014.

With its decision as of 19 July 2016 the European Commission has fined five European truck manufacturers excluding MAN and Scania. MAN was not fined as the company had informed the European Commission about the cartel as a key witness.

With regard to Scania, the antitrust proceedings will be continued. Scania has decided to fully exercise its rights of defense in the ongoing investigation. A provision of €0.4 billion was recognized at the level of the Volkswagen Group in order to cover possible fines.

Volkswagen Group launches new vision: “TOGETHER – Strategy 2025”

Volkswagen announced the first details of its new Group strategy “TOGETHER – Strategy 2025” on 16 June 2016, ushering in the greatest process of change the Company has ever seen. The major realignment is concentrated on transforming the core automotive business and tapping potential new revenue sources. This will involve developing further core competencies such as battery technology, digitalization and autonomous driving, as well as intensifying the focus on profitable growth. At the same time, the Company will rely to a greater extent than before on partnerships and venture capital investments.

Transforming the core business of the Volkswagen Group for the new age of mobility is the first pillar of “TOGETHER – Strategy 2025”. For this, Volkswagen will sharpen the positioning of the group brands and optimize the vehicle and drive train portfolio to reflect regional market and customer requirements, concentrating on the most attractive and fastest-growing market segments. One focus is on e-mobility, where a broad-based initiative is planned. The regional growth strategy will continue in particularly attractive automotive markets. Expansion and investment plans for North America and the expansion program in China will remain in place. Collaboration with regional partners is being sought in the economy segment, particularly in Asia. The modular toolkits are being revised and streamlined to reduce their complexity in development and production and increase efficiency. Implementing a model line organization in the brands will lead to a stronger focus on results. The components business will be realigned. This will improve competitiveness and efficiency, making important contributions to future trends. Another important lever of the strategy is to establish new core competencies in forward-looking areas such as battery technology, autonomous driving and artificial intelligence. The aim is to gain a license for a self-driving system developed in-house for fully autonomous vehicles. At three Volkswagen Group

Future Centers in Germany, the USA and China, designers and digital experts will work together on the car of the future so that the group can offer the best possible customer experience and make optimum use of the latest technologies. The commercial vehicles business area of the Volkswagen Group will also resolutely pursue future topics, developing into an intelligent transport solution provider. Offering vehicles under several different brands, Volkswagen Truck & Bus is to become a global industry champion with a significant presence in all key regions of the world and an improved overall performance. Under the strategic realignment of the Volkswagen Group, the Financial Services Division will continue to support the brands' business models and remain an important source of revenue.

The second key pillar of the new Volkswagen Group strategy is the establishment of a new cross-brand mobility solutions business. The cornerstone and starting point of the new business unit will be the provision of on-demand mobility. The unit will subsequently develop and acquire further services tailored to customer requirements, such as robotaxis, carsharing, or on-demand transport for the logistics industry.

By driving forward the digital transformation already underway, the group will further boost its power to innovate. This will involve operational aspects such as Industry 4.0 in production and logistics or digitalization in sales. The Organization 4.0 initiative will also create a modernized, more attractive work organization.

Funding for investments as part of the new Volkswagen Group strategy will be achieved primarily through efficiency gains across all brands, business areas and functions. In the automotive business, Volkswagen is aiming for a ratio of capex to sales revenue of 6% by 2025, and a similar ratio for research and development expenditure to sales. The group aims to reduce distribution and administrative expenses to less than 12% of sales revenue. Additional funds for future investments may also be generated by optimizing the existing portfolio of brands and equity investments. A sustained increase to between 7% and 8% in the Volkswagen Group's operating return on sales is envisaged by 2025. A return on investment (ROI) of over 15% is planned for the Automotive Division. The distribution ratio to shareholders is to be sustained at around 30% of net profit.

Cooperation and investments

In April 2016, Volkswagen signed a cooperation agreement with Singularity University in California's Silicon Valley. The aim of the collaboration is to make even better use of the opportunities of the digital transformation by improving the connections between high-tech start-ups, managers, researchers and inventors.

In May 2016, Volkswagen agreed a strategic partnership with the international ride-hailing service GETT, making a USD 300 million investment in that company. GETT is a leading provider of on-demand mobility services in the European market and is active in more than 60 cities worldwide including London, Moscow and New York. In addition to passenger transportation, the company also offers innovative delivery and logistics services. The two partner companies plan a further roll-out of these mobility services across Europe as part of an expansion strategy. The technology deployed uses big data, innovative forecasting algorithms and artificial intelligence, and can also serve as a basis for developing further mobility-related business models.

The Volkswagen Group also acquired a stake in the German Research Center for Artificial Intelligence (DFKI) in May 2016, thereby intensifying its investment in research on digital technologies of the future. Artificial intelligence is a key technology for autonomous driving and the digital factory. Together with the DFKI, Volkswagen plans to redouble its efforts in this field in future and advance artificial intelligence outside the automotive industry, too. The DFKI also specializes in robotics, Industry 4.0 and driver assistance systems. Volkswagen will have a seat on the DFKI supervisory board and actively help to shape the center's technology and research strategy.

MAN Truck & Bus AG invested in the logistics company FR8 Revolution Inc. in May 2016 in order to play an active part in the digital transformation and integration of the logistics industry. The US-based company has developed software that offers a standardized and transparent platform for shippers, transport companies and truck drivers to plan loads based on real-time data. The system provides all parties with continuous information on the position of trucks, available capacity, drivers' time behind the wheel and rest periods, and up-to-date freight rates.

Business development

The following statements in this section on deliveries, sales, production and employees take into consideration operating developments at the Volkswagen Group in the first half of 2016. For the business development of Porsche SE, please refer to the sections “Significant events and developments” and “Explanatory notes on results of operations, net assets and financial position” in this interim group management report.

General economic development
The global economy recorded moderate growth in the first six months of 2016, although momentum slowed slightly in both the industrialized nations and emerging economies compared with 2015 as a whole. The relatively low energy and commodity prices weighed on the economies of individual exporting countries that depend on them. A drastic effect resulted from the UK’s Brexit referendum in June 2016, when a small majority voted to leave the EU. The direct consequences of this were uncertainty in the financial markets and dimmer economic prospects for the United Kingdom and Europe as a whole.

Trends in the passenger car markets
Global new passenger car registrations were up 3.1% compared with the prior-year period in the first six months of 2016, although market trends varied from region to region. Demand rose year-on-year in the Asia-Pacific region, Western Europe, North America and Central Europe, while new registrations in South America and Eastern Europe, as well as the Middle East and Africa, were lower than in the first six months of 2015.

Trends in the markets for commercial vehicles
Global demand for light commercial vehicles was up slightly on the previous year’s level in the first six months of 2016. Global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes increased year-on-year in the period from January to June 2016. Demand for buses in the markets that are relevant for the Volkswagen Group was down significantly on the previous year in the first six months of 2016.

Employees in the Volkswagen Group
At the end of the second quarter of 2016, the Volkswagen Group had a total of 613,625 employees worldwide, up 0.6% on the number at 31 December 2015. Significant factors for the increase were the expansion of the workforce in the new plants in Mexico and Poland, and the recruitment of specialists. At 278,076, the number of employees in Germany was down 0.2% on year-end 2015. The proportion of employees in Germany declined to 45.3% (31 December 2015: 45.7%).

Sales and production in the Volkswagen Group
In the first half of 2016, the Volkswagen Group’s unit sales to the dealer organization (including the Chinese joint ventures) amounted to

5,199,195 vehicles. This represents an increase of 2.1% on the prior-year period. The Volkswagen Group produced a total of 5,268,086 vehicles in the period from January to June 2016, a decline of 0.9% year-on-year. Production in Germany rose by 0.8% to 1,405,429 units. The proportion of vehicles produced in Germany increased to 26.7% (first half of 2015: 26.3%).

The following table presents the Volkswagen Group's deliveries by region and by brand.

Deliveries of passenger cars, light commercial vehicles, trucks and buses from 1 January to 30 June[1]

	2016	2015	Change %
Regions			
Europe/Other markets	2,407,223	2,347,295	2.6
North America	444,127	451,241	–1.6
South America	223,758	297,267	–24.7
Asia-Pacific	2,041,711	1,943,485	5.1
Worldwide	**5,116,819**	**5,039,288**	**1.5**
by brands			
Volkswagen passenger cars	2,924,953	2,945,708	–0.7
Audi	953,218	902,272	5.6
ŠKODA	569,353	544,300	4.6
SEAT	216,843	216,460	0.2
Bentley	4,011	4,639	–13.5
Lamborghini	2,013	1,882	7.0
Porsche	117,963	113,984	3.5
Bugatti	-	17	x
Volkswagen commercial vehicles	238,824	223,161	7.0
Scania	40,310	36,989	9.0
MAN	49,331	49,876	–1.1

1 Deliveries for 2015 have been updated to reflect subsequent statistical trends. Includes the Chinese joint ventures.

Explanatory notes on results of operations, financial position and net assets

In the following explanations, the significant results of operations as well as the financial position and net assets for the first six months of the fiscal year 2016 or as of 30 June 2016 are compared to the corresponding comparative figures for the period from 1 January to 30 June 2015 (results of operations and financial position) and as of 31 December 2015 (net assets and financial position).

The purchase price allocation that had to be performed due to the acquisition of 1.5% of the ordinary shares in Volkswagen AG from Suzuki Motor Corporation, Shizuoka, Japan, had not yet been completed when the consolidated financial statements for 2015 were authorized for issue. New findings at the level of the Volkswagen Group – in particular with regard to the risks from the diesel issue as of the acquisition date – resulted in comparative information being adjusted in terms of the carrying amount accounted for at equity and retained earnings; the respective adjusted figures are presented in the following explanations.

Results of operations

In the period from 1 January to 30 June 2016, the Porsche SE Group recorded a profit for the period of €980 million (first half of 2015: €1,651 million). This result was significantly influenced by the profit from investments accounted for at equity of €1,012 million (first half of 2015: €1,694 million), of which €1,014 million (first half of 2015: €1,695 million) is attributable to the investment in Volkswagen AG and minus €2 million (first half of 2015: minus €1 million) to the investment in INRIX.

Personnel expenses in the Porsche SE Group came to €6 million in the reporting period (first half of 2015: €7 million).

Other operating expenses increased slightly in the period from 1 January to 30 June 2016 to €15 million compared to the comparative period (first half of 2015: €14 million). This item mainly relates to legal and consulting fees as well as expenses for external services. In the comparative period, this item also contained back payments for contributions for the Chamber of Industry and Commerce (IHK).

Compared to the corresponding prior-year period, profit/loss from investments accounted for at equity decreased from €1,694 million to €1,012 million. It contains profit contributions from ongoing equity accounting of €1,068 million (first half of 2015: €1,755 million). The profit from investments accounted for at equity also includes the effects of the subsequent measurement of the purchase price allocations. The Porsche SE Group’s profit from investments accounted for at equity was reduced in total by €56 million (first half of 2015: €61 million) by the subsequent effects of these purchase price allocations, i.e., the subsequent measurement of hidden reserves and liabilities identified in the process. The purchase price allocation regarding the acquisition of 1.5% of the ordinary shares of Volkswagen AG has not yet been completed and is therefore to be regarded as provisional.

The financial result increased from minus €17 million in the prior year to minus €9 million. The improvement is attributable to lower expenses for interest on tax back payments compared to the corresponding prior-year period (€1 million; first half of 2015: €5 million). Positive contributions also resulted from bonds and investment fund shares as well as from the measurement of derivatives of €2 million (first half of 2015: net expenses of €4 million). This was countered in particular by lower income from time deposits and guarantee fees.

Profit before tax comes to €982 million (first half of 2015: €1,657 million). During the reporting period, the change in deferred tax resulted in a tax expense of €2 million (first half of 2015: income from the reversal of the income tax provisions of €1 million as well as expenses from deferred taxes of €7 million). Group profit for the first half of the fiscal year 2016 therefore comes to €980 million (first half of 2015: €1,651 million).

Financial position

Cash flow from operating activities comes to minus €75 million in the first half of the fiscal year 2016 (first half of 2015: €421 million). The decrease in the cash flow from operating activities compared to the prior-year period is mainly attributable to lower dividends received from the investment in Volkswagen AG of €17 million (first half of 2015: €719 million). This was partly counterbalanced by lower net cash outflows from income taxes of €49 million (first half of 2015: €148 million) as well as lower net interest payments on tax back payments of €15 million (first half of 2015: €92 million).

In the first six months of the fiscal year 2016, there was a cash inflow of €348 million from investment activities (first half of 2015: cash inflow of €323 million). In the first half of 2016, this comprises a cash inflow as a result of a €508 million decrease in the securities portfolio (first half of 2015: cash outflow from an increase of €833 million) as well as a cash outflow from the increase in the amount of time deposits with an original term of more than three months of €160 million (first half of 2015: cash outflow from a decrease of €510 million).

In the financing activities, there was a cash outflow of €308 million in the first half of 2016 (first half of 2015: €615 million). This was solely attributable to the dividends distributed to shareholders of Porsche SE.

Cash funds therefore decreased by a total of €35 million as of 31 December 2015 to €677 million as of 30 June 2016.

Gross liquidity, i.e., cash and cash equivalents, time deposits and securities decreased from €2,004 million as of 31 December 2015 to €1,621 million as of 30 June 2016. Taking into account the loan liabilities of €300 million due to the Volkswagen Group, net liquidity – i.e., gross liquidity less financial liabilities – is clearly positive at €1,321 million as of 30 June 2016. As of 31 December 2015, net liquidity came to €1,704 million.

Net assets

The Porsche SE Group's total assets decreased by €383 million from €27,604* million (before restatement: €27,626 million) as of 31 December 2015 to €27,221 million as of 30 June 2016.

The non-current assets of the Porsche SE Group as of 30 June 2016 totaling €25,590 million (31 December 2015: €25,589* million, before restatement: €25,611 million) almost exclusively comprise the shares accounted for at equity. These include the carrying amount of the investment in Volkswagen AG accounted for at equity, which increased in comparison to the end of the fiscal year 2015 from €25,549* million (before restatement: €25,571 million) to €25,552 million. This increase results in particular from the profit/loss from investments accounted for at equity of €1,014 million. This was partly counterbalanced by changes in expenses and income recognized directly in equity and other effects to be recognized directly in equity totaling €994 million as well as dividend payments of €17 million. The shares accounted for at equity also include the carrying amount of the investment in INRIX, which totaled €37 million as of 30 June 2016.

As a percentage of total assets, non-current assets increased from 92.7% as of 31 December 2015 to 94.0% as of 30 June 2016.

Current assets mainly consist of cash and cash equivalents, time deposits and securities of Porsche SE and its subsidiaries and decreased from €2,015 million as of 31 December 2015 to €1,631 million as of 30 June 2016.

As a percentage of total assets, current assets fell from 7.3% as of 31 December 2015 to 6.0% as of 30 June 2016.

As of 30 June 2016, the equity of the Porsche SE Group decreased to a total of €26,762 million (31 December 2015: €27,090* million; before restatement: €27,112 million) despite the group profit for the period primarily due to expenses and income recognized directly in equity as well as dividend payments. The equity ratio increased slightly from 98.1% at the end of the fiscal year 2015 to 98.3% as of 30 June 2016.

Current and non-current provisions decreased from €174 million as of 31 December 2015 to €119 million as of 30 June 2016. This decrease is primarily due to income tax payments and related interest payments made.

The financial liabilities of €300 million in total relate to a loan due to the Volkswagen Group. This falls due on 18 June 2017 and was therefore recognized under current financial liabilities as of 30 June 2016.

* Retrospective adjustment of the purchase price allocation for additionally purchased investments accounted for at equity.

Related parties

With regard to significant transactions with related parties, reference is made to the note [20] to the interim condensed consolidated financial statements.

Results of operations of the significant investment

The following statements relate to the original profit/loss figures of the Volkswagen Group in the first half of the fiscal year 2016. This means that effects from inclusion in the consolidated financial statements of Porsche SE, particularly relating to the subsequent measurement of the hidden reserves and liabilities identified in the course of the purchase price allocation, as well as from applying uniform group accounting policies, are not taken into consideration.

At €107,935 million, the Volkswagen Group's sales revenue in the first six months of 2016 was on a level with the previous year (first half of 2015: €108,776 million). Positive mix effects and the good business development in the financial services division were offset by negative exchange rate trends and lower vehicle unit sales, excluding the Chinese joint ventures. The Volkswagen Group generated 79.0% (first half of 2015: 79.2%) of its sales revenue outside Germany.

Less cost of sales, gross profit in the reporting period came to €21,145 million, €553 million lower than in the prior-year period. The gross margin amounted to 19.6% (first half of 2015: 19.9%); excluding special items it was 20.3%.

At €7,517 million (first half of 2015: €6,990 million), operating profit before special items was higher than in the previous year, and the operating return on sales before special items was 7.0% (first half of 2015: 6.4%). In addition to optimized product costs, mix improvements had a positive effect, while exchange rate and volume effects had a negative impact. Special items of minus €2,178 million (first half of 2015: minus €170 million) – particularly for legal risks – weighed on operating profit; of this total, minus €1,725 million is attributable to the passenger cars business area (primarily as a result of higher expenses from recognizing provisions for legal risks) and minus €453 million (as a result of restructuring measures in the trucks business area in South America as well as provisions for legal risks with regard to antitrust proceedings) to the commercial vehicles business area (first half of 2015: minus €170 million). As a result, at €5,339 million, the Volkswagen Group's operating profit in the first six months of 2016 was €1,481 million lower than the year before. The operating return on sales declined to 4.9% (first half of 2015: 6.3%).

The financial result decreased by €1,371 million to minus €528 million; the decrease was a result in particular of higher finance costs due to remeasurement effects, a year-on-year decline in income from the equity-accounted Chinese joint ventures and higher expenses from the measurement of derivative financial instruments at the reporting date. The income from the sale of the LeasePlan shares had a positive effect in the first quarter of 2016.

At €4,810 million, the group's profit before tax was 37.2% lower than in the previous year as a result of the special items. Profit after tax declined by €2,084 million to €3,579 million.

Opportunities and risks of future development

Opportunities and risks at Porsche SE

The report on opportunities and risks at Porsche SE in the group management report and management report of Porsche SE for the fiscal year 2015 must be updated as of 30 June 2016 with regard to the statements on the current status of the legal disputes as well as the opportunities and risks of investments. We refer to the section “Significant events and developments” in this interim group management report. For further details we refer to the presentation of the opportunities and risks at Porsche SE contained in the group management report and management report for the fiscal year 2015.

Opportunities and risks in the Volkswagen Group

The Volkswagen Group has aligned its expected deliveries to customers to reflect the stronger recovery of the European automotive markets. Special items, in particular relating to legal risks, serve to reduce the earnings forecast including special items for the Volkswagen Group and its passenger cars and commercial vehicles business areas (please refer to the section “Anticipated development of the Volkswagen Group” in this interim group management report).

Furthermore, the report on opportunities and risks in the Volkswagen Group in the group management report and management report of Porsche SE for the fiscal year 2015 must be updated as of 30 June 2016 with regard to the statements on the legal disputes. In this regard, please refer to the section “Significant events at the Volkswagen Group” in this interim group management report.

In addition, it is not possible at the present time to rule out a potential further increase in the recalls of a range of models produced by various manufacturers in which certain airbags manufactured by Takata were installed. This could also affect Volkswagen Group models.

Finally, there are risks in connection with the decision by the UK to leave the EU following the outcome of the Brexit referendum in June 2016. In light of this, Volkswagen is monitoring potential consequences for macroeconomic growth, effects on exchange rates and reduced demand for group products.

Subsequent events

With the exception of the developments presented in the section “Significant events and developments” in July 2016, there were no other reportable events after 30 June 2016.

Forecast report and outlook

Anticipated development of the Volkswagen Group

The Volkswagen Group is well positioned to deal with the mixed developments in the global automotive markets. Its broad, selectively expanded product range featuring the latest generation of engines as well as a variety of alternative drives puts Volkswagen in a good position globally compared with its competitors. The group's further strengths include in particular its unique brand portfolio, its steadily growing presence in all major world markets and its wide selection of financial services. Its range of models spans from motorcycles through compact, sports and luxury cars to heavy trucks and buses, and covers almost all segments. The Volkswagen Group's brands will press ahead with their product initiative in 2016, modernizing and expanding their offering by introducing new models. Its goal is to offer all customers the mobility and innovations they need, sustainably strengthening its competitive position in the process.

The Volkswagen Group expects that, on the whole, deliveries to customers in 2016 will be slightly higher than the previous year amid persistently challenging market conditions, with a growing volume in China.

In addition to the emissions issue, the highly competitive environment as well as interest rate and exchange rate volatility and fluctuations in raw materials prices all pose challenges. The Volkswagen Group anticipates positive effects from the efficiency programs implemented by all brands and from the modular toolkits.

Depending on the economic conditions – particularly in South America and Russia – and exchange rate developments and in light of the emissions issue, the Volkswagen Group expects 2016 sales revenue to be down by as much as 5% on the prior-year figure. In terms of the group's operating profit before special items, it anticipates that the operating return on sales will be between 5.0% and 6.0% in 2016.

In the passenger cars business area, it expects a noticeable decrease in sales revenue, with an operating return on sales before special items in the anticipated range of 5.5 – 6.5%. With sales revenue in the commercial vehicles business area remaining essentially unchanged, it assumes that the operating return on sales before special items will be between 2.0% and 4.0%. Volkswagen expects sales revenue in the power engineering business area to be perceptibly lower than the prior-year figure, with a significantly reduced operating profit. For the financial services division, Volkswagen is forecasting sales revenue and operating profit at the prior-year level.

After special items it is expecting a clearly positive operating return on sales for the group and the passenger cars business area, and a slightly positive operating return on sales for the commercial vehicles business area; however the respective target range will not be reached.

Disciplined cost and investment management and the continuous optimization of our processes remain integral elements of the Volkswagen Group's strategy.

Anticipated development of the Porsche SE Group

The Porsche SE Group's profit/loss will be largely dependent on the results of operations of the Volkswagen Group and therefore on the profit/loss of the investment in it accounted for at equity that is attributable to Porsche SE. The forecast is therefore largely based on the expectations of the Volkswagen Group regarding the future development of its operating profit, taking into account the effects of the diesel issue, supplemented in particular by expectations regarding developments of the financial result, including the profit contributions from investments. Based on the information available when the half-yearly financial statements were authorized for issue, the financial result of the Volkswagen Group is expected to be balanced but volatile.

As Porsche SE's forecast cannot be based exclusively on the operating profits forecast by the Volkswagen Group, effects that influence profit/loss may impact the respective forecast key figures of the two groups to a different extent; for example effects in the financial result of the Volkswagen Group do not impact the forecast operating profits in the Volkswagen Group, while these effects impact the Porsche SE Group's forecast profit/loss for the year.

The following forecast is based on the current structure of the Porsche SE Group. Effects from future investments of the company are not taken into account as it is not possible to make statements regarding their future effects on the results of operations, net assets and financial position of the group.

As of 30 June 2016, Porsche SE had net liquidity of €1,321 million. Both Porsche SE and the Porsche SE Group aim to achieve positive net liquidity. This is still expected to be between €1.0 billion and €1.5 billion as of 31 December 2016, not taking future investments into account.

Based on the current group structure, in particular on the basis of the Volkswagen Group's expectations regarding its future development and the existing uncertainties with regard to possible special items in connection with the diesel issue, Porsche SE still expects a group profit for the year of between €1.4 billion and €2.4 billion for the fiscal year 2016.

Stuttgart, 29 July 2016
Porsche Automobil Holding SE

The executive board

Hans Dieter Pötsch   Dr. Manfred Döss   Matthias Müller   Philipp von Hagen

Interim condensed consolidated financial statements

Consolidated income statement of Porsche Automobil Holding SE for the period from 1 January to 30 June 2016

€ million	Note	**1st half of 2016**	1st half of 2015
Other operating income		0	1
Personnel expenses	[1]	–6	–7
Other operating expenses	[2]	–15	–14
Profit/loss from investments accounted for at equity	[3]	1,012	1,694
Profit/loss before financial result		991	1,674
Finance costs	[4]	–12	–17
Other financial result	[5]	3	0
Financial result		**– 9**	**– 17**
Profit/loss before tax		**982**	**1,657**
Income tax	[6]	–2	–6
Profit/loss for the period		**980**	**1,651**
thereof profit/loss attributable to shareholders of Porsche Automobil Holding SE	[7]	980	1,651
Earnings per ordinary share (basic)	[7]	3.20	5.39
Earnings per preference share (basic)	[7]	3.21	5.40
Earnings per ordinary share (diluted)	[7]	3.20	5.39
Earnings per preference share (diluted)	[7]	3.21	5.40

Consolidated statement of comprehensive income of Porsche Automobil Holding SE for the period from 1 January to 30 June 2016

€ million	**1st half of 2016**	1st half of 2015
Profit/loss for the period	**980**	**1,651**
Actuarial gains (+)/losses (-) after tax	– 6	1
Other comprehensive income not reclassified subsequently to profit or loss from investments accounted for at equity (after tax)	– 1,626	393
Total other comprehensive income not reclassified subsequently to profit or loss	– 1,632	394
Other comprehensive income reclassified subsequently to profit or loss from investments accounted for at equity (after tax)	640	– 129
Total other comprehensive income reclassified subsequently to profit or loss	640	– 129
Other comprehensive income after tax	**– 992**	**265**
Total comprehensive income	**– 12**	**1,916**
thereof attributable to		
shareholders of Porsche Automobil Holding SE	– 12	1,916

Consolidated balance sheet of Porsche Automobil Holding SE as of 30 June 2016

€ million	Note	**30/6/2016**	31/12/2015
Assets			
Investments accounted for at equity	[8]	25,589	25,587[1]
Other receivables and assets	[9]	1	2
Non-current assets		**25,590**	**25,589[1]**
Other receivables and assets	[9]	6	6
Income tax assets	[10]	4	5
Securities	[11]	234	742
Time deposits		710	550
Cash and cash equivalents		677	712
Current assets		**1,631**	**2,015**
		27,221	**27,604[1]**
Equity and liabilities			
Subscribed capital	[12]	306	306
Capital reserves	[12]	4,884	4,884
Retained earnings	[12]	21,572	21,900[1]
Equity		**26,762**	**27,090[1]**
Provisions for pensions and similar obligations		33	24
Other provisions	[14]	14	13
Deferred tax liabilities	[6]	21	22
Financial liabilities	[13]	0	300
Non-current liabilities		**68**	**359**
Income tax provisions	[14]	0	49
Other provisions	[14]	72	88
Trade payables		2	1
Financial liabilities	[13]	300	0
Other liabilities	[15]	17	17
Current liabilities		**391**	**155**
		27,221	**27,604[1]**

[1] Retrospective adjustment of the purchase price allocation for additionally purchased investments accounted for at equity; please refer to the section “Significant estimates and accounting judgments as well as adjustments of comparative information”.

Consolidated statement of cash flows of Porsche Automobil Holding SE for the period from 1 January to 30 June 2016

€ million	**1st half of 2016**	1st half of 2015
1. Operating activities		
Profit/loss for the period	980	1,651
Change in provisions for pensions	1	1
Change in other provisions	–16	–126
Current income tax	0	–1
Change in deferred tax	2	7
Income tax paid	–53	–355
Income tax received	4	207
Non-cash expenses and income	–1,014	–1,693
Dividends received	17	719
Change in other assets	3	5
Changes in trade payables and other liabilities (excluding tax provisions, pension provisions and other provisions)	1	6
Cash flow from operating activities	**– 75**	**421**
2. Investing activities		
Change in investments in securities	508	–833
Change in investments in time deposits	–160	510
Cash flow from investing activities	**348**	**– 323**
3. Financing activities		
Dividends paid to shareholders	–308	–615
Cash flow from financing activities	**– 308**	**– 615**
4. Cash funds		
Change in cash funds (subtotal of 1 to 3)	–35	–517
Cash funds as of 1 January	**712**	**983**
Cash funds as of 30 June	**677**	**466**

Note [16] contains further explanations on the statement of cash flows.

Consolidated statement of changes in equity of Porsche Automobil Holding SE for the period from 1 January to 30 June 2016

€ million	Subscribed capital	Capital reserves	Retained earnings		Equity
			Accumulated profit	Investments accounted for at equity[3]	
As of 1 January 2015	306	4,884	25,817	–1,820	29,187
Profit/loss for the period			1,651		1,651
Other comprehensive income after tax			1	264	265
Total comprehensive income for the period			1,652	264	1,916
Dividend payment			–615[1]		–615
Other changes in equity arising from the level of investments accounted for at equity			–5		–5
As of 30 June 2015	**306**	**4,884**	**26,849**	**– 1,556**	**30,483**
As of 1 January 2016 before adjustment	306	4,884	23,716	–1,794	27,112
Adjustment			–22		–22
As of 1 January 2016 after adjustment	306	4,884	23,694	–1,794	27,090
Profit/loss for the period			980		980
Other comprehensive income after tax			–6	–986	–992
Total comprehensive income for the period			974	–986	–12
Dividend payment			–308[2]		–308
Other changes in equity arising from the level of investments accounted for at equity			–8		–8
As of 30 June 2016	**306**	**4,884**	**24,352**	**– 2,780**	**26,762**

1 Distribution of a dividend of €2.004 per ordinary share; total €306,862,500
Distribution of a dividend of €2.01 per preference share; total €307,781,250
2 Distribution of a dividend of €1.004 per ordinary share; total €153,737,500
Distribution of a dividend of €1.01 per preference share; total €154,656,250
3 Other comprehensive income of investments accounted for at equity

Equity is explained in note [12] and the adjustment in the section “Significant estimates and accounting judgments as well as adjustments of comparative information”.

Selected explanatory notes

Basis of presentation

Porsche Automobil Holding SE (“Porsche SE” or the “company”) is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. The business purpose of Porsche SE comprises the management of companies and the administration of investments in companies active in the following business fields or parts thereof:

- The development, design, manufacture and distribution of vehicles, engines of all kinds and other technical or chemical products as well as of parts and assemblies thereof;
- The provision of advice in the area of development and production, especially in the area of vehicle and engine construction;
- The provision of advice on and development of data processing as well as the creation and distribution of data processing products;
- The marketing of products using trademark rights;
- The provision of financial and mobility services;
- The exploitation, procurement, processing and distribution of raw materials used in the automobile industry;
- The generation and procurement of energy, especially of renewable energies, as well as the trading of energy;
- The acquisition, holding and administration as well as the disposal of real estate.

The purpose of the company includes in particular the acquisition, holding and administration as well as the sale of investments in such companies, their combination under uniform control and the provision of support and advice to them, including the provision of services on behalf of such companies.

The company may also be active itself in the business areas specified. This does not apply to banking transactions and financial services requiring approval. The company may limit its activities to parts of the business fields specified above.

The company may engage in all kinds of business and take all measures that are related to the business purpose or that it deems directly or indirectly useful for achieving that purpose. To this end, it may also establish branches, in Germany and abroad, establish and purchase other companies or acquire interests in such companies.

The consolidated financial statements of Porsche SE as of 31 December 2015 were prepared in accordance with International Financial Reporting Standards (IFRSs) applicable as of the reporting date as endorsed by the European Union (EU). The interim condensed consolidated financial statements of Porsche SE for the first half of the fiscal year 2016 were prepared in condensed form in accordance with IAS 34 “Interim Financial Reporting” and therefore do not contain all the information and disclosures required for a complete set of consolidated financial statements.

The half-yearly financial reporting covers the period from 1 January to 30 June of a year.

With the exception of the amendments to IFRSs described in the section “New accounting standards”, all of which were endorsed by the European Commission and are to be applied by Porsche SE for the first time in the fiscal year 2016, the accounting policies underlying the preparation of the consolidated financial statements as of 31 December 2015 were applied. For further information about these methods, please refer to the consolidated financial statements of Porsche SE as of 31 December 2015. The group’s presentation currency is the euro. Unless otherwise stated, all figures are presented in millions of euro (€ million).

The responsibility statement has been made in accordance with German Accounting Standard No. 16 (GAS 16) “Interim Financial Reporting” of the German Accounting Standards Committee (GASC).

The interim condensed consolidated financial statements and the interim group management report were reviewed by the group auditor of the consolidated financial statements of Porsche SE, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. They were discussed with the supervisory board’s audit committee before publication.

Consolidated group

The interim condensed consolidated financial statements of Porsche SE for the first half of 2016 include by means of full consolidation all entities controlled by Porsche SE, i.e., where Porsche SE is exposed, or has rights, to variable returns from its involvement and has the ability to use power over the investee to affect the amount of such returns. A company is no longer consolidated upon loss of control.

Porsche Zweite Beteiligung GmbH, Porsche Dritte Beteiligung GmbH and Porsche Vierte Beteiligung GmbH, all domiciled in Stuttgart, Germany, were established in February 2015. Porsche SE holds 100% of the share capital in each of these shelf companies. In addition, an alternative investment fund for cash investments was established on 1 April 2015. This fund is included in the consolidated financial statements of Porsche SE by way of full consolidation.

Entities where Porsche SE is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or where Porsche SE, directly or indirectly, shares joint control together with another party (joint ventures), are accounted for at equity.

The number of companies included in the interim condensed consolidated financial statements of Porsche SE is shown in the following table:

	30/6/2016	31/12/2015
Fully consolidated subsidiaries		
Germany	4	4
Fully consolidated alternative investment fund		
Germany	1	1
Associates		
Germany	1	1
International	1	1
	7	**7**

New accounting standards

The group adopted the following new and revised standards and interpretations for the first time during the reporting period:

2010-2012 Annual Improvements Cycle

The 2010-2012 Annual Improvements Cycle led to the following amendments being made:

- IFRS 2: Amendment of regulations on performance and vesting conditions for transactions where services are rendered,
- IFRS 3, IFRS 9 and IAS 37: Clarification of regulations on contingent consideration,
- IFRS 8: Amendment of general segment information and reconciliations ,
- IAS 16 and IAS 38: Amendment of the regulations on the revaluation model, and
- IAS 24: Clarification on rendering services in the area of management in key positions.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments provide guidelines as to which methods can be applied for the depreciation of property, plant and equipment and amortization of intangible assets; for revenue-based depreciation and amortization methods, there is the opinion for property, plant and equipment and the (rebuttable) presumption for intangible assets that these are not appropriate.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

This amendment clarifies the accounting for acquisitions of interests in joint operations that comprise a business as defined by IFRS 3. In this context, a company has to apply the principles of accounting for business combination pursuant to IFRS 3 as long as they are not in contradiction with the guidelines set forth in IFRS 11.

Amendment to IAS 1: Disclosure Initiative

These amendments primarily relate to clarifications regarding:

- the assessment of the materiality of disclosures in the financial statements,
- the presentation of additional line items in the balance sheet and the statement of comprehensive income,
- the presentation of other comprehensive income allocated to associates and joint ventures accounted for at equity,
- the structure of notes to the financial statements, and
- the presentation of significant accounting policies.

2012-2014 Annual Improvements Cycle

The changes affect the following standards:

- IFRS 5: Changes of a disposal plan or distribution plan to owners,
- IFRS 7 and IFRS 1: Disclosure requirements for continuing involvement,
- IAS 19: Order of the underlying securities for determining the discount rate, and
- IAS 34: Amendments to where certain information is to be found in the interim financial statements.

Amendments to IAS 19: Defined Contribution Plans: Employee Contributions

Based on this amendment, companies are now permitted to recognize employee contributions or contributions by third parties as a reduction in current service cost in the period in which the related service is rendered. The prerequisite is that the contributions are independent of the number of years of service. This is the case, for example, if the contribution is a fixed percentage of salary. There is no independence, for example, if the percentage share of salary increases as the years of service increase. In such a case the payments resulting from the employee contributions or contributions by third parties must be distributed over the period of service.

With the exception of the 2012-2014 Annual Improvements Cycle, which allows to refer to explanations in the interim group management report, the amendments presented did not have any or no significant effects on the presentation of the Porsche SE group’s net assets, financial position and results of operations.

Significant estimates and accounting judgments as well as adjustments of comparative information

For the following issues whose accounting is subject to both significant estimates and accounting judgments, new developments and findings compared to the consolidated financial statements for 2015 arose up to the time that the interim condensed consolidated financial statements were authorized for issue:

Diesel issue and other special items at the level of the Volkswagen Group
On 18 September 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a notice of violation that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. This was followed by further reports on the scope of the diesel issue. Detailed explanations can be found in Porsche SE's consolidated financial statements for 2015 in the section "Significant accounting judgments and estimates".

In this respect, additional provisions amounting to €1.6 billion were recognized in the first six months of 2016. These additions resulted from an increase in the provisions for legal risks amounting to €1.7 billion, higher warranty costs amounting to €0.1 billion (please refer to the explanations on warranty provisions in connection with the diesel issue in the section "Significant accounting judgments and estimates" in the consolidated financial statements for 2015), impairment losses on inventories amounting to €0.2 billion and impairment losses on intangible assets, lease assets and property, plant and equipment amounting to €0.3 billion. The impairment losses recognized on non-current assets resulted primarily from the lower value in use of various products in the Passenger Cars segment due to expected declines in volumes. Exchange rate-related reversals of provisions amounting to €0.3 billion and unutilized provisions for legal risks and sales-related measures amounting to a total of €0.5 billion had an offsetting effect.

The increase in provisions for legal risks resulting from the diesel issue is mainly attributable to new findings from legal disputes in North America. In June 2016, Volkswagen publicly announced that Volkswagen AG, Volkswagen Group of America, Inc. and certain other companies of the Volkswagen Group with regard to the multi-district litigation pending in California had reached settlement agreements in the USA with the U.S. Department of Justice(DOJ), the EPA, the U.S. Federal Trade Commission (FTC), the California Air Resources Board (CARB) and private plaintiffs represented by a Plaintiffs' Steering Committee (PSC). The settlement agreements, if finally approved, will resolve certain civil claims made in relation to affected diesel vehicles with 2.0 l TDI engines from the Volkswagen passenger cars and Audi brands in the USA. The settlement agreements are subject to final court approval.

The proposed settlements provide affected customers with the option of a buyback or, for leased vehicles, early lease termination or a free technical modification of the vehicles, provided that EPA and CARB approve the appropriate modification measures. Volkswagen will also make cash payments to affected owners and lessees.

Volkswagen also agreed to support environmental programs. The company will pay USD 2.7 billion over three years into an environmental trust, managed by a trustee appointed by the court, to offset excess NO_x emissions. Volkswagen will also invest in total USD 2.0 billion over 10 years in zero emissions vehicle infrastructure as well as corresponding access and awareness initiatives.

Volkswagen also reached separate settlement agreements with the attorneys general of 44 US states, the District of Columbia and Puerto Rico, to resolve their existing or potential consumer protection and unfair trade practice claims – in connection with both 2.0 l TDI and 3.0 l TDI vehicles in the USA – for a settlement amount of USD 603 million.

These settlements do not resolve the civil claims by the DOJ, FTC and private plaintiffs represented by the PSC related to 3.0 l TDI vehicles, penalties sought by the DOJ on behalf of the EPA, potential state environmental claims related to the 2.0 l and 3.0 l TDI vehicles, any criminal investigations by the DOJ, as well as certain other claims.

On 19 July 2016, the US states Maryland, Massachusetts and New York filed complaints in their respective state courts against Volkswagen AG, Volkswagen Group of America, Inc. and certain other companies of the Volkswagen Group seeking penalties and injunctive relief for alleged violations of environmental laws. Maryland, Massachusetts and New York participated in the state settlements described above with respect to consumer protection and unfair trade practice claims, but those settlements did not include claims for environmental penalties.

To protect against the currently known legal risks, including suitable expenses for defense and legal advice related to the diesel issue, the current information and assessments in the reporting period at the level of the Volkswagen Group indicated a requirement to recognize additional provisions of €1.7 billion. Unused provisions for legal risks amounting to €0.4 billion were reversed.

The provisions for legal risks recognized in connection with the diesel issue continue to be subject in part to substantial estimation risks in light of the complexity of the individual factors, the ongoing approval process with the authorities and the fact that the comprehensive, exhaustive investigations have not yet been completed. This could continue to give rise to corresponding significant effects on the Porsche SE Group. This pertains in particular to the profit/loss from investments accounted for at equity, the carrying amount for the investment in Volkswagen AG as well as the subsequent effects of a change in the dividend policy of Volkswagen AG.

Beyond the diesel issue, provisions were recognized in the first half of 2016 at the level of the Volkswagen Group for restructuring measures in the trucks business in South America (€0.1 billion) and for the antitrust proceedings launched in 2011 by the European Commission against the European truck manufacturers, including MAN and Scania (€0.4 billion). With its decision as of 19 July 2016, the European Commission has fined five European truck manufacturers excluding MAN and Scania concerning inappropriate exchange of information during the period 1997-2011. MAN was not fined as the company had informed the European Commission about the cartel as a key witness. With regard to Scania, the antitrust proceedings will be continued. Scania has decided to fully exercise its rights of defense in the ongoing investigation.

Additional provisions amounting to €0.2 billion were recognized at the level of the Volkswagen Group in the reporting period in connection with the replacement of potentially faulty airbags, manufactured and supplied by Takata, imposed by the competent authorities. On 5 May 2016, the U.S. National Highway Traffic Safety Administration (NHTSA) announced, jointly with the Takata company, a further extension of the recall for various models from different manufacturers containing certain airbags produced by the Takata company. Recalls were also ordered by the local authorities in Canada, Japan and South Korea. The recalls also included models manufactured by the Volkswagen Group. Appropriate provisions have been recognized. Currently, the possibility of further extensions to the recalls that could also affect Volkswagen Group models cannot be ruled out.

Testing of the carrying amounts of investments for impairment

For the investment in Volkswagen AG, the impairment test performed as of 31 December 2015 was updated as of 30 June 2016.

As part of the update, the costs of capital were newly determined at a value of 7.0% as of 30 June 2016 (31 December 2015: 7.3%). With regard to the long-term planning of Volkswagen AG, the planning year 2016 was updated to bring it in line with current developments. The long-term revenue and profit/loss development beyond 2016 was not adjusted. Unchanged from the consolidated financial statements as of 31 December 2015, negative effects stemming from the diesel issue affecting the Volkswagen Group's operating result were assumed to have an impact only until the middle of the planning horizon. The sustainable growth rate remains unchanged at 1.0%.

The risk provisions newly recognized by Volkswagen AG as of 30 June 2016 were taken into account as future cash outflows in the detailed planning period. The sensitivity analysis performed in the course of the impairment test as of 31 December 2015 was also updated. In connection with the upcoming EU exit of the United Kingdom, possible implications for the overall economic development, exchange rate effects and adverse effects on demand for group products were examined.

For further details please refer to the explanations in note [10] in the consolidated financial statements for 2015.

The values in use determined during both the impairment test and the sensitivity analysis remain significantly higher than the carrying amount of the investment in Volkswagen AG, meaning there was again no need to correct the carrying amount of the investment overall as of 30 June 2016.

Adjustment of the provisional purchase price allocation and the resulting adjustment of comparative information

In September 2015, Porsche SE had reached an agreement with Suzuki Motor Corporation, Shizuoka, Japan, to acquire a 1.5% stake in the ordinary shares of Volkswagen AG in an off-market transaction. This acquisition meant that a purchase price allocation had to be performed, which involved revaluing the net assets acquired pro rata and therefore determining the fair values of the assets and liabilities of the Volkswagen Group. The purchase price allocation had not yet been completed when the consolidated financial statements for 2015 were issued. The income from the first-time equity accounting of newly acquired shares that resulted from this in the second half of 2015 of €448 million was thus regarded as provisional.

In particular the new findings at the level of the Volkswagen Group presented in this chapter in the section “Diesel issue and other special items at the level of the Volkswagen Group” resulted (with the exception of the currency-related reversals of provisions of €0.3 billion and the restructuring measures of €0.1 billion) in adjustments in the provisional purchase price allocation and therefore a decrease in income from the first-time equity accounting of acquired shares of €23 million from €448 million to €425 million; this also resulted in an increase of the effect recognized in profit or loss from the dilution of Porsche SE’s share in capital in Volkswagen AG by €1 million. These amendments had the following effect on the consolidated balance sheet:

€ million	before adjustment	adjustment	after adjustment
31/12/2015 / 1/1/2016			
Consolidated balance sheet			
Investments accounted for at equity	25,609	–22	25,587
Retained earnings	21,922	–22	21,900

As the acquisition of shares was executed in the second half of 2015, there were no further effects on the comparative information in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows or in the consolidated statement of changes in equity contained in the interim condensed consolidated financial statements as of 30 June 2016.

The purchase price allocation had still not been completed when the interim condensed consolidated financial statements were authorized for issue. New findings at the level of the Volkswagen Group, for example relating to the risks from the diesel issue, may lead to further adjustments.

Legal disputes

Please refer to the new development presented in the interim group management report in the section “Significant events and developments in the Porsche SE Group”. The amount of the provisions for litigation costs recognized continues to correspond to the respective attorneys’ fees and litigation expenses anticipated. New findings and developments, if given, could have serious effects on the net assets, financial position and results of operations of the Porsche SE Group.

Notes to the consolidated income statement

[1] Personnel expenses

€ million	**1st half of 2016**	1st half of 2015
Wages and salaries	5	7
Social security contributions, pension and other benefit costs	1	0
	6	**7**

[2] Other operating expenses

Other operating expenses consist of:

€ million	**1st half of 2016**	1st half of 2015
Legal and consulting fees	7	3
Other external services	4	5
Sundry other operating expenses	4	6
	15	**14**

Other external services mainly contain expenses relating to the organization of annual general meetings. Sundry other operating expenses primarily include expenses for other taxes, leasing and insurance, travel expenses as well as, in the comparative period, back payments for contributions for the Chamber of Industry and Commerce (IHK).

[3] Profit/loss from investments accounted for at equity

The profit/loss from investments accounted for at equity breaks down as follows:

€ million	**1st half of 2016**	1st half of 2015
Profit from ongoing equity accounting before purchase price allocation	1,068	1,755
Effects from purchase price allocation	–56	–61
	1,012	**1,694**

Profit/loss from investments accounted for at equity results almost exclusively from the profit/loss contribution from the investment in Volkswagen AG.

[4] Finance costs

€ million	**1st half of 2016**	1st half of 2015
Interest expenses from loans issued by associates	10	10
Interest on tax back payments	1	5
Other interest and similar expenses	1	2
	12	**17**

Interest on tax back payments mainly includes expenses for interest on tax back payments for the assessment periods as of 2009 (first half of 2015: mainly in connection with the processing of the completed tax field audit for the assessment periods 2006 to 2008).

[5] Other financial result

€ million	**1st half of 2016**	1st half of 2015
Income from bonds and investment fund shares	1	0
Expenses from bonds and investment fund shares	0	−1
Income from derivative financial instruments	4	2
Expenses from derivative financial instruments	−3	−5
Other interest and similar income	1	4
	3	**0**

The income and expenses from bonds and investment fund shares as well as from derivative financial instruments result from the investment in the alternative investment fund. Other interest and similar income mainly contains income from time deposits, asset-backed commercial papers and from guarantee fees.

[6] Income tax

The income tax recognized in the first half of the fiscal year 2016 results from deferred tax expenses of €2 million (first half of 2015: deferred tax expense of €7 million); this, like the deferred tax expense presented in the comparative period, is attributable to taxable temporary differences from investments accounted for at equity less offsettable deferred tax assets on unused tax losses. This was countered in the comparative period by income of €1 million from the reversal of income tax provisions.

[7] Earnings per share

		1st half of 2016	1st half of 2015
Profit/loss for the period	€ million	980	1,651
Profit/loss attributable to shareholders of Porsche Automobil Holding SE	€ million	980	1,651
Profit/loss attributable to ordinary shares (basic)	€ million	489.5	825.0
Profit/loss attributable to preference shares (basic)	€ million	490.5	826.0
Profit/loss attributable to ordinary shares (diluted)	€ million	489.5	825.0
Profit/loss attributable to preference shares (diluted)	€ million	490.5	826.0
Average number of ordinary shares outstanding	Number	153,125,000	153,125,000
Average number of preference shares outstanding	Number	153,125,000	153,125,000
Earnings per ordinary share (basic)	€	3.20	5.39
Earnings per preference share (basic)	€	3.21	5.40
Earnings per ordinary share (diluted)	€	3.20	5.39
Earnings per preference share (diluted)	€	3.21	5.40

Earnings per share are calculated by dividing the profit or loss attributable to the shareholders of Porsche SE by the weighted average number of shares outstanding in the first half of the year.

There were no dilutive effects.

Notes to the consolidated balance sheet

[8] Investments accounted for at equity

Investments accounted for at equity almost exclusively comprise the carrying amount of the investment in Volkswagen AG.

[9] Other receivables and assets

Other receivables and assets consist of:

€ million	30/6/2016	31/12/2015
Sundry other financial receivables and assets	4	5
Sundry other non-financial receivables and assets	3	3
	7	**8**
thereof non-current	1	2
thereof current	6	6

[10] Income tax receivables

Income tax receivables mainly comprise tax refund claims for tax on investment income.

[11] Securities

Securities consist of:

€ million	30/6/2016	31/12/2015
Bonds and investment fund shares	184	192
Asset-backed commercial papers	50	550
	234	**742**

For the bonds and investment fund shares, the option for accounting for financial instruments at fair value through profit or loss is exercised.

[12] Equity

The development of equity is presented in the consolidated statement of changes in equity and in the consolidated statement of comprehensive income.

Subscribed capital

Porsche SE's subscribed capital totals €306.25 million and is divided into 153,125,000 ordinary shares and 153,125,000 preference shares which have been fully paid in. Each share represents a €1 notional value of the subscribed capital. The preference shares carry an additional dividend of 0.6 cents per share if net profit is available for distribution.

Capital reserves

The capital reserves contain additions from share premiums less any transaction costs incurred within the scope of capital increases.

Retained earnings

The retained earnings include the reserve for investments accounted for at equity and the reserve for accumulated profits.

Expenses and income from investments accounted for at equity recognized directly in equity are presented in the reserve for investments accounted for at equity.

The reserve for accumulated profits includes the profits of Porsche SE and its consolidated subsidiaries earned in prior years and the reporting period that have not yet been distributed. This also includes reclassified revaluation reserves of deconsolidated subsidiaries, non-reclassifiable expenses and income reclassified due to dilution of the share in capital of associates, and the reserve for actuarial gains and losses from pensions taking into account the respective deferred tax.

As of 30 June 2016, actuarial losses from pensions came to €19 million (31 December 2015: €11 million); the respective deferred tax came to €6 million (31 December 2015: €3 million).

The changes in equity at the level of investments accounted for at equity presented in the statement of changes in equity include the proportionate changes in the non-controlling interests within the Volkswagen Group attributable to Porsche SE that are not part of total comprehensive income.

Dividends paid
On 29 June 2016, the annual general meeting of Porsche SE resolved to distribute a dividend of €1.004 per ordinary share and €1.01 per preference share for the fiscal year 2015. As a result, a total of €308,393,750.00 was distributed.

On 13 May 2015, the annual general meeting of Porsche SE resolved to distribute a dividend of €2.004 per ordinary share and €2.01 per preference share for the fiscal year 2014. As a result, a total of €614,643,750.00 was distributed in the comparative period.

[13] Financial liabilities

The financial liabilities of €300 million (31 December 2015: €300 million) are due entirely to one associate and are due on 18 June 2017.

[14] Income tax provisions and other provisions

As of the reporting date, income tax provisions and other provisions break down as follows:

€ million	**30/6/2016**	31/12/2015
Income tax provisions	**0**	**49**
thereof non-current	0	0
thereof current	0	49
Other provisions		
Provisions for personnel costs	5	5
Provisions for costs of litigation	21	23
Provisions for interest on tax back payments	0	13
Sundry other provisions	60	60
	86	**101**
thereof non-current	14	13
thereof current	72	88

Sundry other provisions mainly comprise provisions for other tax.

[15] Other liabilities

As of the reporting date, other liabilities break down as follows:

€ million	**30/6/2016**	31/12/2015
Other financial liabilities to associates	15	15
Sundry other financial liabilities	1	2
Sundry other non-financial liabilities	1	0
	17	**17**
thereof non-current	0	0
thereof current	17	17

Other notes

[16] Statement of cash flows

The cash flow from operating activities includes:

€ million	**1st half of 2016**	1st half of 2015
Interest paid from financial liabilities	11	11
Interest received from cash investments	2	3

The non-cash expenses and income presented in the cash flow from operating activities contain almost exclusively the profit from investments accounted for at equity.

The cash flow from financing activities concerns the dividends totaling €308 million distributed to the shareholders of Porsche SE (first half of 2015: €615 million).

[17] Disclosures on financial instruments

If there is an active market, fair value corresponds to the quoted market price. If there is no active market, fair value is calculated using appropriate valuation techniques, e.g., by discounting the future cash flows with the market interest rate.

In the course of the valuation process, the necessary publicly available market data are collected and, where appropriate, updated. In particular, the assumptions underlying the fair values calculated by discounting the future cash flows are validated, if necessary.

The allocation of fair value to the various levels is based on the availability of observable market data on an active market. Level 1 shows the fair values of financial instruments where a price is quoted on active markets for identical financial instruments. Level 2 presents the fair value of financial instruments for which market data are directly or indirectly observable. In particular, interest rate curves, index values and exchange rates are used as key parameters. The fair value of financial instruments in level 3 is calculated using inputs that are not based on observable market data.

Financial instruments at fair value through profit or loss comprise non-derivative financial instruments designated as at fair value as well as derivative financial instruments for which hedge accounting is not applied.

The following overview contains the assets accounted for at fair value:

€ million	**30/6/2016**	Level 1	Level 2	Level 3
Current financial assets measured at fair value through profit or loss				
Securities	184	0	184	0
Other financial assets	1	1	0	0

€ million	31/12/2015	Level 1	Level 2	Level 3
Current financial assets measured at fair value through profit or loss				
Securities	183	0	183	0

The following table shows the reconciliation of the items of the balance sheet to the classes of financial instruments, as well as the comparison of carrying amount and fair value:

€ million **30/6/2016**	Measurement category under IAS 39	Carrying amount	Fair value
Assets			
Other financial receivables	LAR[1]	4	4
Securities	FVtPL[2]	184	184
Securities	LAR[1]	50	50
Time deposits	LAR[1]	710	710
Cash and cash equivalents	LAR[1]	677	677
		1,625	**1,625**
thereof non-current		1	1
thereof current		1,624	1,624
Equity and liabilities			
Financial liabilities	FLAC[3]	300	323
Trade payables	FLAC[3]	2	2
Other financial liabilities	FLAC[3]	16	16
		318	**341**
thereof non-current		0	0
thereof current		318	341

1 LAR: Loans and receivables
2 FVtPL: Fair value through profit or loss
3 FLAC: Financial liabilities at cost

€ million **31/12/2015**	Measurement category under IAS 39	Carrying amount	Fair value
Assets			
Other financial receivables	LAR[1]	5	5
Securities	FVtPL[2]	183	183
Securities	LAR[1]	559	559
Time deposits	LAR[1]	550	550
Cash and cash equivalents	LAR[1]	712	712
		2,009	**2,009**
thereof non-current		2	2
thereof current		2,007	2,007
Equity and liabilities			
Financial liabilities	FLAC[3]	300	329
Trade payables	FLAC[3]	1	1
Other financial liabilities	FLAC[3]	17	17
		318	**347**
thereof non-current		300	329
thereof current		18	18

1 LAR: Loans and receivables
2 FVtPL: Fair value through profit or loss
3 FLAC: Financial liabilities at cost

The fair value of financial liabilities measured at amortized cost was calculated by discounting the cash flows taking into account interest rates observable on the market pursuant to level 2. The fair values of non-current financial assets and liabilities correspond to their carrying amount.

[18] German Corporate Governance Code

The declaration of the executive board and supervisory board of Porsche SE on the German Corporate German Corporate Governance Code required by Sec. 161 AktG [“Aktiengesetz”: German Stock Corporation Act] was updated in May 2016 and is accessible on the website www.porsche-se.com.

[19] Legal disputes

Please refer to the new development presented in the interim group management report in the section “Significant events and developments in the Porsche SE Group”.

[20] Related parties

In accordance with IAS 24, persons or entities which are in control of or controlled by the Porsche SE must be disclosed. Pursuant to a consortium agreement, the Porsche and Piëch families have direct and indirect control, respectively, over Porsche SE.

There were no transactions between the Porsche SE Group and the Porsche and Piëch families and their affiliates in either the first half of the fiscal year 2016 or the comparative period.

The disclosure requirements under IAS 24 also extend to persons who have the power to exercise significant influence over the entity, i.e., who have the power to participate in the financial and operating policies of the entity, but do not control it. This concerns members of the supervisory board and the executive board of Porsche SE as well as their close family members. No transactions requiring disclosure were conducted by entities of the Porsche SE Group with members of the supervisory board or executive board as key management personnel and their close family members or with any other entities having these persons on their executive or supervisory board and over which Porsche SE has no significant influence or does not exercise joint control.

The disclosure requirements pursuant to IAS 24 also include persons and entities over which the Porsche SE Group can exercise a significant influence.

In the first half of 2016 and the comparative period, Porsche SE exercised significant influence over the Volkswagen Group and the INRIX Group.

All relationships to the respective parent companies and subsidiaries of both of these groups are presented. Supplies and services rendered include the dividend received from Volkswagen AG of €17 million (first half of 2015: €719 million). Direct obligations resulting from the contribution of the holding business operations of Porsche SE to Volkswagen AG in the fiscal year 2012 are reported within liabilities at an amount of €12 million (31 December 2015: €12 million).

In addition, financial and other guarantees with a nominal volume of €310 million (31 December 2015: €1,310 million) plus interest were issued to entities of the Volkswagen Group. The probability of claims being made based on the guarantees is considered very low and Volkswagen AG has signed a hold harmless agreement for 100%.

In addition, revenue totaling €1 million (first half of 2015: €2 million) from financial services is included in financial revenue; this was counterbalanced by expenses from financial services of €11 million (first half of 2015: €10 million). In connection with this relationship, receivables came to €100 million (31 December 2015: €109 million); liabilities of €303 million (31 December 2015: €303 million) are attributable to financing activities.

In addition, there were relationships in the service sector that led to the recognition of supplies and services received of €1 million (first half year of 2015: €2 million). The supplies and services provided as a result of these relationships were immaterial in the first half of 2016 and the comparative period.

Related parties

	Supplies and services rendered		Supplies and services received	
€ million	**1st half of 2016**	1st half of 2015	**1st half of 2016**	1st half of 2015
Associates and their majority shareholdings	18	721	12	12
	18	**721**	**12**	**12**

	Receivables		Liabilities	
€ million	**30/6/2016**	31/12/2015	**30/6/2016**	31/12/2015
Associates and their majority shareholdings	100	109	315	315
	100	**109**	**315**	**315**

[21] Subsequent events

With the exception of the developments presented in the interim group management report in the section “Significant events and developments” in July 2016, there were no other reportable events after 30 June 2016.

Stuttgart, 29 July 2016

Porsche Automobil Holding SE

The executive board

Hans Dieter Pötsch Dr. Manfred Döss Matthias Müller Philipp von Hagen

Responsibility statement

To the best of our knowledge and in accordance with the applicable reporting principles for interim financial reporting, the interim condensed 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 the 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 financial year.

Stuttgart, 29 July 2016

Porsche Automobil Holding SE

The executive board

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Review report

We have reviewed the interim condensed consolidated financial statements, prepared by Porsche Automobil Holding SE, Stuttgart, comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of cash flows, the statement of changes in equity and selected explanatory notes to the financial statements, and the interim group management report for the period from 1 January 2016 to 30 June 2016, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the company’s management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and 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 to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on 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 WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs for 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 requirements of the WpHG applicable to interim group management reports.

Without qualifying this conclusion, we refer to the following point determined during the review:

As explained by the executive board in the selected explanatory notes to the interim condensed consolidated financial statements in the section “Significant estimates and accounting judgments as well as adjustments of comparative information” and in the interim group management report in the sections “Significant events and developments in the Porsche SE Group”, “Significant events at the Volkswagen Group” and “Opportunities and risks at Porsche SE”, Porsche Automobil Holding SE, Stuttgart, as the majority shareholder of Volkswagen AG, Wolfsburg, continued to be influenced as a result of the ongoing diesel issue mainly through the profit/loss from investments accounted for at equity attributable to it, from legal risks from claims brought against Porsche SE stemming from this issue as well as due to the decrease in the proportionate market capitalization caused by the development of the share price of the preference and ordinary shares since the diesel issue began.

The provisions recognized for warranties and legal risks in the interim consolidated financial statements of Volkswagen AG as of 30 June 2016 are based on the information available as presented. Due to the many technical solutions required as well as the uncertainties necessarily associated with pending and expected legal disputes, it cannot be ruled out that the risk estimation could change in the future.

With regard to the investment in Volkswagen AG, the executive board of Porsche Automobil Holding SE continues to see a risk of further burdens on the proportionate profit/loss attributable to it as a result of the diesel issue and the uncertainties associated with it. These burdens could result in particular from new findings regarding the effects of the diesel issue on the operating business and/or the financing costs of the Volkswagen Group which exceed the extent assumed in the planning and taken into consideration in the provisions recognized in the interim consolidated financial statements of Volkswagen AG. As the impairment test of the investment in Volkswagen AG is based on the current planning of the Volkswagen Group, unexpected additional burdens could also give rise to an impairment loss for the investment in Volkswagen AG.

Stuttgart, 29 July 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wollmert	Matischiok
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Financial calendar

10 November 2016
Group quarterly statement 3rd Quarter 2016

This half-yearly financial report is available in German and English.
In case of doubt the German version is binding.

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