

Group quarterly statement

1st Quarter

2016



1st Quarter 2016

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 31 March 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.

This group quarterly statement by Porsche SE relates to the development of business and its effects on the results of operations, net assets and financial position in the first three months of the fiscal year 2016, and contains information on the period from 1 January to 6 June 2016.



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Significant developments in the Porsche SE Group

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. It has been alleged that Volkswagen had used undisclosed engine management software installed in certain four-cylinder diesel engines used in certain 2009 to 2015 model year vehicles to circumvent NO_x emissions testing regulations in the United States of America in order to comply with certification requirements. The US environmental authority of California – the California Air Resources Board (CARB) – announced its own enforcement investigation in this context. Following these announcements by EPA and CARB, authorities in various other jurisdictions worldwide commenced their own investigations (“diesel issue”). 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 resulting development of the price of Volkswagen ordinary and preference shares. Despite the decrease in the proportionate market capitalization, there continues to be no need, on the basis of the earnings forecasts, even taking into consideration the diesel issue, to adjust the carrying amount of the investment in Volkswagen AG. However, an increase in the costs of mitigating the diesel issue might lead to an impairment in the

value of the investment. Legal risks resulting from this issue can likewise affect Porsche SE.

Ultimately, there could 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, the explanatory notes on the results of operations, financial position and net assets, and the “Outlook” section of the group management report and management report in the annual report of Porsche SE for the fiscal year 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.

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 these legal proceedings during the reporting period are described in the following:

Actions for damages concerning the allegation of market manipulation in Germany and England

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. Dates for continuation of taking evidence and for examination of further witnesses have not yet been scheduled. Porsche SE considers these claims to be without merit.

Based on the same alleged claims, the aforementioned 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 the claims to be without merit.

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 the 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 Capital Markets Model Case Act (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. 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. 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. Porsche SE considers the asserted 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). Porsche SE considers the claims to be without merit.

On 13 April 2016, the Regional Court of Hanover decided with respect to the above-mentioned KapMuG motions 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 above-mentioned 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. Decisions on the suspension of proceedings according to the KapMuG can be appealed by filing an immediate appeal within two weeks after service of the relevant decision.

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. Leave to appeal on points of law was not permitted. The judgment is final.

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 claims to be without merit.

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 scheduled a date for rendition of a decision for 7 June 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 scheduled a date for rendition of a decision for 7 June 2016. Porsche SE considers the motion to be without merit.

Investigations and criminal proceedings

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 judgment is not final. The Stuttgart public prosecutor had lodged an appeal on points of law to the Federal Court of

Justice. The written judgment has not been served yet. The appeal on points of law has to be substantiated at the latest within one month after service of the written judgment. If the appeal on points of law is not substantiated within this time, it will be rejected as inadmissible.

In February 2013, it became known that the Stuttgart public prosecutor 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.


Other legal proceedings and legal risks

In connection with the diesel issue (for a description see section “Emissions issue at the level of the Volkswagen Group” in the chapter “Significant events at the Porsche SE Group”) 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 an ad-hoc announcement. 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 purchasers (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 remain against Porsche SE has not been decided yet. At a hearing on 21 April 2016, it was announced that Volkswagen AG and plaintiffs in the multi-district litigation had reached an agreement in principle to settle the claims of purchasers of affected vehicles



with 2.0-liter engines and the claims of certain dealers. The U.S. District Court for the Northern District of California has set a deadline of 21 June 2016 for submission of a formal settlement agreement for preliminary court approval. The effect of the agreement in principle on claims against Porsche SE cannot yet be evaluated, including because the settlement has not been finalized. In any event Porsche SE considers any claims against it to be without merit.

Since October 2015, 14 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 €155,304.95 (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.



Key events at the Volkswagen Group

Partnerships

At the beginning of 2016, Volkswagen entered into a strategic partnership with Mobileye, a technology leader in the area of automated image processing. The companies signed a letter of intent to this effect at the Consumer Electronics Show in Las Vegas. The goal of the joint venture is to effectively manage the digital transformation of the automotive industry and develop surroundings monitoring technologies. The central focus of the joint venture is camera-based real-time image processing technology which – in conjunction with ultra-precise digitalized maps – is the key to autonomous driving and advanced development of various driver assistance and safety systems.

The Scania commercial vehicle brand announced a strategic partnership with mobile radio and network equipment provider Ericsson at the Mobile World Congress in Barcelona in March 2016. The joint efforts are aimed at accelerating connectivity in the commercial vehicles segment. Since the early 2000s, Scania has researched and pioneered platooning concepts, in which several vehicles can drive in close formation using interconnected control systems. Logistics experts believe that systems like these could generate substantial cost savings through lower fuel consumption, for instance.

Sale of interest in LeasePlan completed

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

The final approvals for the sale of LeasePlan to an international consortium of investors were issued by the competent authorities in January 2016. Legal transfer of the LeasePlan shares to the consortium was completed on 21 March 2016.

The total value of the transaction was approximately €3.7 billion plus interest in the amount of €31.5 million. In the reporting period, this had a positive effect of €2.2 billion on investing activities and net liquidity and, taking into account the disposal of the stake in GMH accounted for at equity, resulted in income of €0.2 billion for the Volkswagen Group, which is reported in the financial result of the Volkswagen Group. On completion of the transaction, the existing credit line of €1.3 billion provided by the Volkswagen Group was cancelled.

Business development

General economic development

The global economy saw moderate growth in the first three months of 2016. In both industrialized nations and emerging economies momentum slowed slightly compared with 2015 as a whole; the comparatively low energy and commodity prices weighed on the economy.

Trends in the passenger car markets

Global demand for passenger cars rose in the first quarter of 2016 by 2.1%, although there was regional variation in the markets. While the number of new registrations in the Asia-Pacific region, Western Europe, Central Europe and North America increased year-on-year, substantial decreases were recorded in South America and Eastern Europe.

Trends in the markets for commercial vehicles

Global demand for light commercial vehicles in the period from January to March 2016 was up slightly on the prior-year level. In the first quarter of 2016, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was up on the prior year. Demand for buses in the markets that are relevant for the Volkswagen Group was down significantly on the prior year in the first three months of 2016.

Employees in the Volkswagen Group

At the end of the first quarter of 2016, the Volkswagen Group had a total of 613,075 employees worldwide, up 0.5% on the number at 31 December 2015. Significant factors for the increase were the expansion of the workforce in the new plants of the Volkswagen Group in China, Mexico and Poland and the recruitment of specialists, particularly in China. At 277,912, the number of employees in Germany was down 0.3% on year-end 2015. The proportion of employees in Germany decreased slightly on the prior-year figure, at 45.3% (31 December 2015: 45.7%).

Sales and production in the Volkswagen Group

In the first quarter of 2016, the Volkswagen Group's unit sales to the dealer organization (including the Chinese joint ventures) amounted to 2,577,123 vehicles. This represents a decline of 1.2% on the prior-year period, due primarily to the continuing decline in demand in Brazil and Russia. The Volkswagen Group produced a total of 2,555,404 vehicles in the period from January to March 2016, a decline of 6.1% year-on-year. Production in Germany decreased by 2.6% to 683,347 units. The proportion of vehicles produced in Germany increased to 26.7% (first quarter of 2015: 25.8%).

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 31 March¹

	2016	2015	Change %
Regions			
Europe/Other markets	1,150,740	1,126,939	2.1
North America	201,530	205,814	-2.1
South America	110,647	152,789	-27.6
Asia-Pacific	1,045,376	1,002,173	4.3
Worldwide	2,508,293	2,487,715	0.8
by brands			
Volkswagen passenger cars	1,459,522	1,479,446	-1.3
Audi	455,754	438,171	4.0
ŠKODA	276,625	265,097	4.3
SEAT	102,914	102,740	0.2
Bentley	1,554	2,232	-30.4
Lamborghini	928	884	5.0
Porsche	55,974	51,102	9.5
Bugatti	0	10	-100.0
Volkswagen commercial vehicles	113,136	108,483	4.3
Scania	18,440	17,500	5.4
MAN ²	23,446	22,050	6.3

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

² Including consolidation of vehicles between the brands MAN Truck & Bus and MAN Latin America.

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

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

Results of operations of the Porsche SE Group

In the period from 1 January to 31 March 2016, the Porsche SE Group recorded a profit for the period of €661 million (prior year: €870 million). This result was significantly influenced by the profit from investments accounted for at equity of €674 million (prior year: €881 million), of which €674 million (prior year: €882 million) is attributable to the investment in Volkswagen AG and €0 million (prior year: minus €1 million) to the investment in INRIX. The profit from investments accounted for at equity includes the effects of the subsequent measurement of the purchase price allocations. This line item – and therefore the Porsche SE Group's profit in the first three months of the fiscal year 2016 – was reduced by a total of €38 million (prior year: €30 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 financial result for the first three months of the fiscal year 2016 comes to minus €4 million (prior year: minus €7 million). In the reporting period, this amount mainly contains expenses from loan interest of €5 million (prior year: €5 million).

As a result of the change in deferred taxes, there was a tax expense of €2 million in the reporting period (prior year: tax income of €4 million).

Net assets and financial position of the Porsche SE Group

The Porsche SE Group's total assets increased by €209 million from €27,626 million as of 31 December 2015 to €27,835 million as of 31 March 2016.

The non-current assets of the Porsche SE Group came to €25,857 million as of 31 March 2016 (31 December 2015: €25,611 million) and mainly comprise the carrying amount of the shares accounted for at equity in Volkswagen AG. The profit from the investment accounted for at equity caused the carrying amount to increase by €247 million compared to 31 December 2015 to €25,818 million; this was countered by expenses that are recognized directly in equity of the Volkswagen Group and that have to be recognized in the carrying amount of the at equity-investment (in particular from pension obligations and currency translation effects).

Current assets, which mainly consist of cash and cash equivalents, time deposits and securities of Porsche SE and its subsidiaries, amount to €1,978 million as of 31 March 2016 (31 December 2015: €2,015 million).

Due to the net profit for the period, the equity of the Porsche SE Group increased from €27,112 million as of 31 December 2015 to €27,346 million

as of 31 March 2016; this increase was partly compensated for by expenses which are recognized directly in equity according to at equity accounting.

Non-current financial liabilities remained unchanged compared to 31 December 2015, at a total of €300 million.

Current liabilities fell from €155 million as of 31 December 2015 to €128 million, primarily due to income tax payments and related interest payments made.

Particularly for that reason, net liquidity of the Porsche SE Group, i.e., cash and cash equivalents, time deposits and securities less loan liabilities, decreased slightly from €1,704 million as of 31 December 2015 to €1,664 million as of 31 March 2016.

Results of operations of the significant investment

The following statements relate to the original profit/loss figures of the Volkswagen Group. 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.

Despite positive mix effects and the good business development in the Financial Services Division, the Volkswagen Group's sales revenue of

€50,964 million in the first three months of 2016 was €1,771 million lower than in the prior year due to the decline in vehicle unit sales and unfavorable exchange rate trends. The Volkswagen Group generated 78.8% (prior year: 79.3%) of its sales revenue outside Germany.

Less cost of sales, gross profit at €10,298 million was on a level year-on-year (prior year: €10,309 million). The gross margin rose to 20.2% (prior year: 19.5%).

At €3,440 million, the Volkswagen Group's operating profit in the first quarter of 2016 exceeded the prior-year figure by €112 million. In addition to the special items, optimized product costs and mix effects were positive factors, whereas volume and exchange rate effects as well as higher fixed costs weighed on earnings. The operating return on sales improved to 6.8% (prior year: 6.3%). At €3,131 million (prior year: €3,328 million), operating profit before special items was down year-on-year, and the operating return on sales before special items was 6.1% (prior year: 6.3%).

The financial result declined by €876 million to minus €237 million. The income generated on the sale of the LeasePlan shares was offset mainly by higher expenses from the measurement of derivative financial instruments at the reporting date.

Profit before tax fell by 19.3% year-on-year to €3,203 million. Profit after tax was €2,365 million, representing a €567 million decrease compared with the prior year.

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. The Volkswagen Group's 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. The goal of the Volkswagen Group 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 its customers in 2016 will be on a level with the prior 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 the exchange rate development 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, Volkswagen anticipates that the operating return on sales will be between 5.0% and 6.0% in 2016.

In the passenger cars business area Volkswagen expects a sharp decrease in sales revenue, with an operating return on sales in the anticipated range of 5.5 – 6.5%. With sales revenue in the commercial vehicles business area remaining essentially unchanged, Volkswagen assumes operating return on sales will be between 2.0% and 4.0%. It 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. Disciplined cost and investment management and the continuous optimization of its processes are 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 from investments. Based on the information available when the group quarterly statement was 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 31 March 2016, Porsche SE had net liquidity of €1,664 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.

Overall, 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 effects in connection with the diesel issue, Porsche SE continues to expect a group profit for the year of between €1.4 billion and €2.4 billion for the fiscal year 2016.



Financial calendar

29 June 2016

Annual general meeting

1 August 2016

Half-yearly financial report

10 November 2016

Group quarterly statement 3rd Quarter 2016

This group quarterly statement is available in German and English.
In case of doubt the German version is binding.

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