PORSCHE SE

Group quarterly statement

3rd Quarter 2016

3rd Quarter

2016

3rd 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 30 September 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 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, financial position and net assets in the first nine months of the fiscal year 2016, and contains information on the reporting period from 1 January to 9 November 2016.

Contents

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 third 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 emissions or diesel issue. Mainly due to further legal risks, additional negative special items had to be recognized at the level of the Volkswagen Group in the first nine months of the fiscal year 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 a further 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 on this matter, please refer to the explanations of the significant events at the Volkswagen Group in this group quarterly statement 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.

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 publication date of this group quarterly statement are presented in the following:

Actions for damages concerning the expansion of the investment in Volkswagen AG
A model case according to the Capital Markets Model Case Act (KapMuG) against Porsche SE is pending with the Higher Regional Court of Celle. 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. In part these claims are also based on alleged violations of antitrust regulations. The model case has been initiated by an order of reference of the Regional Court of Hanover dated 13 April 2016 that followed applications for establishment of a model case by the plaintiffs of four out of six proceedings pending before the Regional Court of Hanover. The Regional Court of Hanover has referred 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. A final decision on this appeal has not yet been rendered. The suspension decisions rendered in the other proceedings are final. The suspended proceedings concern six legal actions of a total of 40 plaintiffs asserting alleged claims for damages of about €5.4 billion (plus interest). 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.

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 a momentarily suspended 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 USD 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 in connection with the stake building in Volkswagen AG. 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, since an information-based manipulation of the market could not be established. Consequently, the Regional Court of Stuttgart also dismissed the Stuttgart public prosecutor's motion for imposing a fine of €807 million against Porsche SE. 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. 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. The charges brought against the former employee were dropped after the final acquittal of the former members of the executive board.

Legal proceedings and legal risks in connection with the emissions 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 group quarterly statement) the following claims have been asserted against Porsche SE:

At an oral hearing on 30 September 2016 the Regional Court of Stuttgart announced that as of that date 146 actions of investors claiming damages of €898 million had been filed. Since April 2016 a total of 152 actions for damages have been served to Porsche SE by the Regional Court of Stuttgart.

The actions concern damages in an amount totaling, if and to the extent the claims were quantified, about €571 million (plus interest) and in part establishment of liability for damages. The plaintiffs accuse Porsche SE of alleged nonfeasance of capital market information in connection with the diesel issue by Volkswagen AG. Simultaneously a part of the plaintiffs filed applications for establishment of a model case according to the KapMuG or motions for suspension following the publication of a KapMuG-based order of reference by the Regional Court of Braunschweig regarding proceedings for damages against Volkswagen AG in connection with the diesel issue. In a proceeding concerning alleged claims for damages of €5.7 million (plus interest) and a simultaneously filed motion for establishment of a model case an oral hearing was held on 30 September 2016. In the other proceedings trial dates have not been scheduled yet. A part of the actions are directed against both Porsche SE and Volkswagen AG. It is currently unclear whether these actions will be suspended by reference to a possible model case to be trialed before the Higher Regional Court of Stuttgart or with reference to the order of reference issued by the Regional Court of Braunschweig. It is also possible that at least the actions directed against Volkswagen AG could be referred to the Regional Court of Braunschweig. Porsche SE considers these claims to be without merit.

In September and October 2016 four actions were filed against Porsche SE before the Regional Court of Braunschweig. The actions are directed against both Porsche SE and Volkswagen AG. The actions are based on alleged claims for damages because of nonfeasance of immediate publication of insider information. The actions aim for claims for damages against Porsche SE in the amount of about €160,000. One of the plaintiffs has applied for suspension of the proceeding according to the KapMuG. Porsche SE considers these claims to be inadmissible and to be without merit.

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. A trial date before the Regional Court of Stuttgart has been scheduled for 15 November 2016. Porsche SE considers the action to be inadmissible and without merit.

In November 2015, a purchaser of a Volkswagen and an Audi 3.0 l TDI 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 2.0 l TDI and 3.0 l TDI 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 does not resolve claims related to Volkswagen, Audi and Porsche 3.0 l TDI diesel engine vehicles. The U.S. District Court for the Northern District of California granted final approval of the class action settlement on 25 October 2016. As a result, members of the settlement class who did not opt out have released 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. The final approval order is subject to appeal. 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.

10 court orders have been obtained against Porsche SE concerning alleged claims for damages in connection with the diesel issue in an amount of about €3.7 million (plus interest). Porsche SE considers these claims to be without merit and has filed complaints against those court orders.

Since October 2015, 29 persons who have not yet filed a lawsuit have made out-of-court claims or initiated conciliatory proceedings 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 €450,000 (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. By decision of 28 October 2016 the Regional Court of Stuttgart dismissed the actions. The plaintiff may appeal this decision within one month after service of the decision. 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 on 27 May 2014 is demanded. An oral hearing was held on 22 March 2016 at the Regional Court of Stuttgart. By order of 28 October 2016 the Regional Court of Stuttgart dismissed the application. Leave to appeal was not permitted. Hence, the decision is final.

Moreover, the same shareholder has also filed an action of nullity and for annulment regarding the resolutions of the annual general meeting on 29 June 2016 on the exoneration of the executive board and the supervisory board for the fiscal year 2015. A date for an oral hearing has not been scheduled yet. Porsche SE considers the action to be without merit.

In addition, the same shareholder claims a right to information against Porsche SE before the Regional Court of Stuttgart. With this motion, the disclosure of questions allegedly asked at the annual general meeting on 29 June 2016 is demanded. Porsche SE considers the motion to be without merit.

Significant events at the Volkswagen Group

Significant events at the Volkswagen Group in the third quarter of the fiscal year 2016 are presented in the following.

Diesel issue

Volkswagen reaches certain settlement agreements
In June 2016, Volkswagen publicly announced that Volkswagen AG, Volkswagen Group of America, Inc. and certain companies 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) on behalf of the U.S. Environmental Protection Agency (EPA), the U.S. Federal Trade Commission (FTC), the California Air Resources Board (CARB), the California Attorney General and private plaintiffs represented by a Plaintiffs’ Steering Committee (PSC). The settlement agreements 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. On 18 October 2016, a fairness hearing on whether final approval should be granted was held, and on 25 October 2016, the court granted final approval of the settlement agreements. This final approval order remains subject to appeal.

The settlements provide affected customers with the option of a buyback or, for leased vehicles, early lease termination, or a free emissions modification of the vehicles, provided that EPA and CARB approve the modification. Volkswagen will also make cash payments to affected current owners or lessees as well as certain former owners or 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 nitrogen oxide (NO_x) emissions. Volkswagen will also invest in total USD 2.0 billion over ten 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 practices 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, civil 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. Moreover, investigations by various U.S. regulatory and government authorities, including in areas relating to securities, financing and tax, are ongoing.

In September 2016, Volkswagen announced that it had finalized an agreement to resolve the claims of Volkswagen branded franchise dealers in the United States relating to TDI vehicles and other matters asserted concerning the value of the franchise. The settlement agreement, which is subject to court approval, includes a cash payment of up to USD 1.208 billion, and additional benefits to resolve alleged past, current, and future claims of losses in franchise value. Preliminary court approval of the settlement agreement was granted on 18 October 2016, and a fairness hearing on whether final approval should be granted has been scheduled for 18 January 2017.

In Canada, Environment and Climate Change Canada, a department of the Government of Canada responsible for coordinating environmental policies, is monitoring the EPA and CARB proceedings in the USA as part of its pending criminal investigation. Investigations by other Canadian regulators are ongoing. 33 class actions seeking compensation for consumers were filed in Canada against Volkswagen Group companies. The majority of these actions purport to represent a national class of 2.0 l and 3.0 l diesel customers. At this time, settlement discussions concerning 2.0 l diesel vehicles in Canada are under way.

US lawsuits alleging claims for civil environmental penalties

The attorneys general of twelve US states (Alabama, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New Mexico, New York, Pennsylvania, Tennessee, Texas and Vermont) and some municipalities have filed suits in state and federal courts – and the state of Washington has asserted a penalty claim through administrative proceedings – against Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates seeking civil penalties and injunctive relief for alleged violations of environmental laws. Alabama, Maryland, Massachusetts, Missouri, New Hampshire, New York, Pennsylvania, Tennessee, Texas and Washington participated in the state settlements described above with respect to consumer protection and unfair trade practices claims, but those settlements did not include claims for environmental penalties. In particular, nine states (Delaware, Maine, Minnesota, Missouri, Montana, Ohio, Oregon, Wisconsin and Wyoming) have entered into agreements to toll the statute of limitations for their potential environmental claims through the end of 2016. Of those states, Wyoming has filed suit asserting environmental claims on 1 November 2016. Another state (Connecticut) has expressed its intention to participate in environmental settlement discussions without filing suit.

Lawsuits filed by investors in the USA

In June 2016, a putative class action was filed on behalf of purchasers of certain USD-denominated Volkswagen bonds, alleging that these bonds were trading at artificially inflated prices due to Volkswagen's alleged misstatements and that the value of these bonds declined after the EPA issued its Notice of Violation. This lawsuit has been consolidated into the federal multidistrict litigation in California described above.

Lawsuits filed by investors worldwide (excluding the USA/Canada)

The vast majority of investor lawsuits are currently pending at the District Court (Landgericht) in Braunschweig (the “Braunschweig Court”). A press release issued by the Braunschweig Court on 21 September 2016 indicates that, as a result of recently filed actions, there are now about 1,400 lawsuits pending. The Braunschweig Court’s press release reports that, after accounting for the recently filed actions, the dispute value of all investor lawsuits submitted to the Braunschweig Court totals around €8.2 billion.

On 5 August 2016, the Braunschweig Court ordered that common questions of law and fact relevant to the lawsuits pending at the Braunschweig Court be referred to the Higher Regional Court (Oberlandesgericht) in Braunschweig for a binding declaratory decision pursuant to the German Act on Model Case Proceedings in Disputes Regarding Capital Market Information (Kapitalanlegermusterverfahrensgesetz, the “Model Case Act”), which establishes a procedure for consolidated adjudication in a higher regional court of legal and factual questions common to numerous securities actions (the “Model Case Proceedings”). All lawsuits at the Braunschweig Court will be stayed pending resolution of the common issues, unless they can be dismissed for reasons independent of the common issues that are adjudicated in the Model Case Proceedings.

The resolution of the common issues in the Model Case Proceedings will be binding on all pending cases in the stayed lawsuits.

At the District Court in Stuttgart several lawsuits have been filed against Volkswagen AG and Porsche Automobil Holding SE as joint and several debtors (we refer to our comments in the subsection “Significant developments and current status relating to litigation risks and legal disputes” in the section “Significant events and developments in the Porsche SE Group”).

Further investor lawsuits have been filed at various courts in Germany as well as at courts in Austria and the Netherlands.

Altogether, Volkswagen has so far been served with investor lawsuits, judicial applications for dunning procedures and conciliation proceedings with claims amounting to €7.4 billion.

German Federal Motor Transport Authority approves technical solutions

In the third quarter of 2016, the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) approved technical solutions for further Volkswagen Group vehicles fitted with EA 189 1.2 l and 2.0 l TDI engines. Approvals were issued for models from the Audi brand, including the A4, A6, Q3 and Q5, models from the Volkswagen passenger cars brand, including the Polo, Passat and Tiguan, as well as for models from the SEAT, ŠKODA and Volkswagen commercial vehicles brands. By the end of September 2016, the KBA had issued approvals for a total of 5.6 million 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.

Volkswagen Group introduces particulate filter for petrol engines

Volkswagen is continuing to work assiduously on the environmental compatibility of conventional drive systems and is planning to progressively fit all group TSI and TFSI engines with petrol particulate filters from 2017. This will enable emissions of soot particles to be reduced by up to 90%. By 2022, the number of Volkswagen Group vehicles being equipped with this technology could reach seven million per year. The process will start with the 1.4 l TSI engine in the new Tiguan and the 2.0 l TFSI engine in the Audi A5. Using comparative measurements, independent testing bodies have established that both modern Euro 6 diesel engines and petrol engines from the Volkswagen Group are already among the cleanest on the market. In its EQUA Air Quality Index, London-based Emission Analytics looked at the world's 440 most popular models and ranked the Volkswagen Group as the top performer by some margin.

Cooperation and investments

Volkswagen Truck & Bus GmbH entered into a far-reaching alliance with the US-based commercial vehicle manufacturer Navistar International Cooperation (Navistar) in September 2016. This includes framework agreements for a strategic technology and supply cooperation and a joint venture that will pursue joint global sourcing opportunities. Volkswagen Truck & Bus will also acquire a 16.6% stake in Navistar through a capital increase. Navistar is a holding company whose subsidiaries produce trucks, coaches, commercial and school buses, diesel engines as well as service parts. While the partnership will focus on the development of common powertrain systems, it will also enable collaboration in other areas of commercial vehicle development and procurement aimed at jointly creating new synergies and achieving greater independence from the cycles in the industry. The closing of the transaction and hence the implementation of the strategic alliance is subject to certain regulatory approvals and other customary closing conditions. The share acquisition by Volkswagen Truck & Bus is further subject to the finalization of the agreement governing the procurement joint venture and the conclusion of the first contract under the technology and supply cooperation and is slated for the end of 2016 or beginning of 2017.

In the same month, the Volkswagen Group and the Chinese automaker Jianghuai Automobile Co., Ltd. (JAC) signed an in-principle agreement on long-term partnership for joint development of innovative battery-powered electric vehicles. The cooperation will entail research and development, manufacture and sales, in addition to mobility services.

The Volkswagen Group and the Free and Hanseatic City of Hamburg have agreed on a three-year strategic mobility partnership. The project aims to develop Hamburg as a model city for forward-looking, sustainable, integrated mobility. Urban mobility concepts and intermodality, traffic control and management, autonomous driving and parking, innovative vehicle concepts and alternative technologies as well as air pollution control are the cornerstones of the partnership. Intelligent, tailor-made mobility solutions will sustainably improve personal mobility and freight transport. This project is designed to promote the use of information and communication technology and innovative technologies in the transport sector, to increase road safety and transport reliability and efficiency, and to reduce traffic-related emissions.

Audi and the FAW-Volkswagen joint venture signed letters of intent on 11 September 2016 with the technology companies Alibaba, Baidu and Tencent. The partnership will focus on the areas of data analysis, Internet vehicle platforms and intelligent urban transport solutions.

Volkswagen and three experts from Israel established a new automotive cyber security company in September 2016. The newly founded CYMOTIVE Technologies based in Herzliya, Israel, and Wolfsburg, Germany, will research and develop advanced cyber security solutions for next-generation connected cars and mobile services. The company aims to preventively eliminate potential weaknesses in the area of intelligent, autonomous driving and minimize the risk of an external or malicious attack.

AUDI AG opens automotive plant in Mexico

On 30 September 2016, AUDI AG opened its new production plant for the second generation of the Audi Q5 in San José Chiapa in Mexico’s federal state of Puebla. This involved a financial investment of over €1 billion. The facility, which stands on an area of more than 400 hectares, was planned completely virtually and has an annual production capacity of 150,000 vehicles. Audi estimates that 4,200 jobs will be created locally and will provide a wide range of training opportunities for employees. Cutting-edge technologies will ensure resource-efficient production. Suppliers and logistics providers have also established operations in the vicinity of the plant to guarantee efficient, just-in-sequence delivery.

Business development

The following statements in this section on deliveries, sales, production and employees take into consideration operating developments in the passenger cars and commercial vehicles business areas at the Volkswagen Group in the first nine months of the fiscal year 2016. For the business development of Porsche SE, please refer to the sections “Significant events and developments in the Porsche SE Group” and “Explanatory notes on results of operations, net assets and financial position” in this group quarterly statement.

General economic development

The global economy saw moderate growth in the first three quarters of 2016. In industrialized nations, momentum declined compared with 2015 as a whole, while in emerging economies the growth of gross domestic product (GDP) matched the prior-year level. The relatively low energy and commodity prices weighed on the economies of individual exporting countries that depend on them.

Trends in the passenger car markets

The number of new passenger car registrations worldwide was up 4.7% year-on-year in the period from January to September 2016, although the trends in the individual markets varied from region to region. Demand rose in the Asia-Pacific region, Western Europe, North America and Central Europe, while sales in South America and Eastern Europe, as well as Africa and the Middle East, failed to match the prior-year level.

Trends in the markets for commercial vehicles

Global demand for light commercial vehicles was up slightly on the prior year’s level from January to September 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 September 2016. Demand for buses in the markets that are relevant for the Volkswagen Group was down significantly on the prior year in the first nine months of 2016 as a consequence of the downward trend in South America.

Employees in the Volkswagen Group

At the end of the third quarter of 2016, the Volkswagen Group had a total of 624,003 employees worldwide, up 2.3% on the number at 31 December 2015. This increase was mainly due to the recruitment of specialists and the expansion of the workforce in the new plants in Mexico and Poland. At 282,080, the number of employees in Germany was up 1.2% on year-end 2015. The proportion of employees in Germany decreased slightly on the prior-year figure, at 45.2% (31 December 2015: 45.7%).

Sales and production in the Volkswagen Group

In the first nine months of 2016, unit sales from the Volkswagen Group (including the Chinese joint ventures) to the dealer organization rose by 2.9% to 7,652,771 vehicles. The Volkswagen Group produced a total of 7,645,269 vehicles in the period from January to September 2016, an increase of 2.8% year-on-year. At 2,028,444 units, production in Germany was on a level with the prior year. The proportion of vehicles produced in Germany decreased to 26.5% (comparative period: 27.3%).

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

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

	2016	2015	Change %
Regions			
Europe/Other markets	3,491,911	3,419,806	2.1
North America	685,767	693,109	−1.1
South America	319,974	439,656	−27.2
Asia-Pacific	3,111,701	2,878,233	8.1
Worldwide	**7,609,353**	**7,430,804**	**2.4**
by brands			
Volkswagen passenger cars	4,374,896	4,349,602	0.6
Audi	1,408,783	1,347,883	4.5
ŠKODA	840,881	791,458	6.2
SEAT	312,888	308,379	1.5
Bentley	7,075	6,854	3.2
Lamborghini	2,867	2,696	6.3
Porsche	178,314	173,085	3.0
Bugatti	1	19	−94.7
Volkswagen commercial vehicles	350,791	321,448	9.1
Scania	58,732	54,935	6.9
MAN	74,125	74,445	−0.4

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 nine months of the fiscal year 2016 or as of 30 September 2016 are compared to the corresponding comparative figures for the period from 1 January to 30 September 2015 (results of operations) and as of 31 December 2015 (financial position and net assets).

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 obtained in the reporting period at the level of the Volkswagen Group on conditions as of the acquisition date – in particular with regard to the risks from the diesel issue and from antitrust proceedings as of this date (we refer to the explanations on provisions and contingent liabilities in the section “Opportunities and risks in the Volkswagen Group” in this group quarterly statement) – resulted in comparative information being adjusted; the respective adjusted figures are presented in the following explanations. The purchase price allocation was finalized as of 30 September 2016.

Results of operations of the Porsche SE Group

In the period from 1 January to 30 September 2016, the Porsche SE Group recorded a profit for the period of €1,635 million (comparative period: €1,480* million, before adjustment: €1,193 million). This result was significantly influenced by the profit from investments accounted for at equity of €1,688 million (comparative period: €1,535* million; before adjustment: €1,248 million), of which €1,691 million (comparative period: €1,537* million; before adjustment: €1,250 million) was attributable to the investment in Volkswagen AG and minus €3 million (comparative period: minus €2 million) to the investment in INRIX. 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 €83 million (comparative period: €89 million) by the subsequent effects of these purchase price allocations, i.e., the subsequent measurement of hidden reserves and liabilities identified in the processes.

Other operating expenses increased from €21 million in the comparative period to €25 million. They mainly pertained to legal and consulting fees, expenses for other external services as well as, in the comparative period, back payments for contributions for the Chamber of Industry and Commerce.

The financial result for the first nine months of the fiscal year 2016 came to minus €13 million (comparative period: minus €23 million). In the reporting period, this amount mainly contained expenses from loan interest of €16 million (comparative period: €16 million), as well as

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

expenses for interest on tax back payments of €1 million (comparative period: €7 million). Positive contributions resulted from bonds and investment fund shares as well as from the measurement of derivatives of €3 million (comparative period: net expenses of €4 million) as well as from time deposits and guarantee fees of €2 million (comparative period: €5 million).

Group profit before tax came to €1,641 million (comparative period: €1,482* million, before adjustment: €1,195 million). Income tax comprised expenses of €6 million from deferred taxes (comparative period: €3 million) as well as, in the comparative period, from income of €1 million from the reversal of income tax provisions.

Financial position and net assets of the Porsche SE Group

Gross liquidity, i.e., cash and cash equivalents, time deposits and securities decreased from €2,004 million as of 31 December 2015 to €1,613 million as of 30 September 2016. Taking into account the loan liabilities of €300 million due to the Volkswagen Group, net liquidity – i.e., gross liquidity less financial liabilities – was clearly positive at €1,313 million as of 30 September 2016. As of 31 December 2015, net liquidity came to €1,704 million. The decrease in net liquidity is primarily due to lower dividends received from the investment in Volkswagen AG of €17 million compared to the dividend payment to the shareholders of Porsche SE of €308 million, to net cash outflows from income tax payments and related interest payments made of €58 million as well as to operating expenses.

The Porsche SE Group's total assets increased by €177 million from €27,591* million (before adjustment: €27,626 million) as of 31 December 2015 to €27,768 million as of 30 September 2016.

The non-current assets of the Porsche SE Group totaling €26,150 million (31 December 2015: €25,576* million, before adjustment: €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 €25,536* million (before adjustment: €25,571 million) to €26,113 million. This increase resulted from the profit from investments accounted for at equity of €1,691 million. This was partly counterbalanced by the balance of expenses and income recognized directly in equity and other effects to be recognized directly in equity totaling €1,097 million as well as dividend payments of €17 million. The shares accounted for at equity also included the carrying amount of the investment in INRIX, which totaled €36 million as of 30 September 2016 (31 December 2015: €38 million).

As a percentage of total assets, non-current assets increased from 92.7% as of 31 December 2015 to 94.2% as of 30 September 2016.

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

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 €1,618 million as of 30 September 2016.

As a percentage of total assets, current assets fell from 7.3% as of 31 December 2015 to 5.8% as of 30 September 2016.

As of 30 September 2016, the equity of the Porsche SE Group increased to a total of €27,303 million (31 December 2015: €27,077* million; before adjustment: €27,112 million). The group profit for the year was counterbalanced mainly by the balance of income and expenses recognized directly in equity as well as by dividend payments. The equity ratio increased slightly from 98.1% at the end of the fiscal year 2015 to 98.3% as of 30 September 2016.

Current and non-current provisions decreased from €174 million as of 31 December 2015 to €122 million as of 30 September 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.

Results of operations of the significant investment

The following statements relate to the original profit/loss figures of the Volkswagen Group in the first nine months 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 allocations, as well as from applying uniform group accounting policies, are not taken into consideration.

In the period from January to September 2016, the Volkswagen Group generated sales revenue of €159,932 million (comparative period: €160,263 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 proportion of sales revenue generated outside Germany was 79.5% (comparative period: 79.8%).

Less cost of sales, gross profit in the reporting period was up year-on-year at €31,080 million (comparative period: €26,464 million). Adjusted for special items recognized here in the two periods, gross profit was at the prior-year level. The gross margin amounted to 19.4% (comparative period: 16.5%); excluding special items it was 20.0% (comparative period: 20.1%).

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

At €11,267 million, operating profit before special items for the period from January to September 2016 exceeded the prior year by €1,070 million, while the operating return on sales before special items rose to 7.0% (comparative period: 6.4%). Optimized product costs and improvements in the mix had a positive effect, while exchange rate and volume effects as well as higher marketing costs as a consequence of the emissions issue negatively impacted operating profit. Special items of minus €2,620 million (comparative period: minus €6,855 million) – particularly for legal risks – weighed on operating profit; of this total, minus €2,167 million (comparative period: minus €6,685 million) is attributable to the passenger cars business area (primarily as a result of higher expenses from recognizing provisions for legal risks). Restructuring measures of minus €50 million (comparative period: minus €170 million) in the trucks business area in South America, which serve to sustainably enhance competitiveness, as well as provisions for legal risks relating to the commercial vehicles antitrust proceedings launched by the European Commission and amounting to minus €403 million resulted in total special items of minus €453 million (comparative period: minus €170 million) in the commercial vehicles business area in the reporting period. At €8,647 million, the Volkswagen Group's operating profit was €5,305 million higher than in the prior year. The operating return on sales rose to 5.4% (comparative period: 2.1%).

At minus €488 million, the financial result was €2,288 million lower than in 2015. In the prior year, clearly positive effect. In addition, the decrease was a result of higher finance costs due to remeasurement effects and a year-on-year decline in income from the equity-accounted Chinese joint ventures. The income from the sale of the LeasePlan shares had a positive effect.

The group's profit before tax improved by €3,017 million to €8,159 million. Profit after tax increased by €1,925 million to €5,915 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 September 2016 with regard to the statements on the current status of the legal proceedings as well as the emissions issue. We refer to the section “Significant events and developments in the Porsche SE Group” in this group quarterly statement. Furthermore, 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 at the Volkswagen Group

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

Furthermore, the report on opportunities and risks at 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 September 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 group quarterly statement.

To protect against the currently known legal risks, including suitable expenses for defense and legal advice related to the diesel issue, the existing information and current assessments in the reporting period indicated a requirement to recognize additional provisions of €2.0 billion. Unused provisions for legal risks amounting to €0.4 billion were reversed. Volkswagen remains of the opinion that it duly complied with its capital market obligations. Therefore, no provisions for lawsuits filed by investors have been recognized. The related contingent liabilities had to be increased by €2.7 billion to €3.7 billion.

The provisions for legal risks recognized in connection with the diesel issue and the contingent liabilities disclosed 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.

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 EU 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 in order to cover possible fines.

In addition, it is not possible at present 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.

In addition, there are risks in connection with the decision by the United Kingdom 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.

Beyond this, there were no significant changes in the reporting period compared with the disclosures on Porsche SE’s expected development in the “Forecast report and outlook” and “Report on opportunities and risks” chapters – including the underlying description of the issues in the chapter entitled “The emissions issue” – of the group management report and management report in the 2015 annual report, even taking into consideration recent findings from the investigations that are still being carried out.

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 continue to press ahead with their product initiative in the remaining months of 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 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 exchange rate and interest 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.

Volkswagen estimates that 2016 sales revenue may reach the prior-year figure. In terms of the group's operating profit before special items, it anticipates that the operating return on sales in 2016 will be at the upper end of the forecast range of 5.0 – 6.0%.

In the passenger cars business area, it expects a slight decrease in sales revenue, with an operating return on sales before special items at the upper end of the anticipated range of 5.5 – 6.5%. With a moderate increase in sales revenue in the commercial vehicles business area, 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 a marked improvement in sales revenue and operating profit over the prior-year level.

After special items, in particular relating to legal risks, Volkswagen 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 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; however, these effects do 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, financial position and net assets of the group.

As of 30 September 2016, Porsche SE had net liquidity of €1,313 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.

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

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