PORSCHE SE

Half-yearly financial report

1 January – 30 June

2018

Investments of Porsche SE

PORSCHE SE

Core Investment

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

VOLKSWAGEN
AKTIENGESELLSCHAFT

Volkswagen | Audi | SEAT | ŠKODA

BENTLEY | BUGATTI | LAMBORGHINI | PORSCHE

DUCATI | Commercial Vehicles | SCANIA | MAN

VOLKSWAGEN FINANCIAL SERVICES
AKTIENGESELLSCHAFT

Further Investments

PTV GROUP

Minority stakes

INRIX | Markforged | SEURAT TECHNOLOGIES

Status 30 June 2018

Content

Interim group management report

1 January – 30 June 2018

Porsche Automobil Holding SE ("Porsche SE" or the "company"), as the ultimate parent of the Porsche SE Group, is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. As of 30 June 2018, the Porsche SE Group had 844 employees (31 December 2017: 823 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. Furthermore, an entity of the Porsche SE Group acquired PTV Planung Transport Verkehr AG ("PTV AG"), Karlsruhe, in the past fiscal year. In addition, an entity of the Porsche SE Group holds shares in the US technology company INRIX Inc., Kirkland, Washington, USA ("INRIX").

The principal criteria of Porsche SE for investments are the connection to the automotive value chain, the future of mobility and industrial production as well as above-average growth potential based on macroeconomic trends and industry-specific trends derived from them. The automotive value chain comprises the entire spectrum from basic technologies and supporting the development and production process through to vehicle- and mobility-related services.

Porsche SE is currently focusing its search in particular on technology surrounding autonomous driving, electromobility, transport infrastructure and innovative production/manufacturing methods as well as innovative mobility offerings.

In addition to established medium-sized enterprises, Porsche SE has also recently expanded its investment focus to young companies from the start-up phase. In this context, since fall 2017 an entity of the Porsche SE Group has acquired a total of three venture capital investments, each in the single-digit percentage range. The combined investment amounted to a single-digit million-euro figure.

All figures shown in the half-yearly financial report are rounded, so minor discrepancies may arise from the addition of these amounts. The comparative prior-year figures are presented in parentheses alongside the figures for the current reporting period.

Significant events and developments at the Porsche SE Group

Significant events and developments at the Porsche SE Group are presented in the following. The explanations refer to events and developments in the second quarter of the fiscal year 2018, unless reference is made in this section to another time period.

Diesel issue at the level of the Volkswagen Group

On 18 September 2015, the US 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 of Volkswagen Group with type 2.0 l diesel engines. This led to authorities in their respective jurisdictions worldwide commencing their own investigations ("diesel issue").

In the period from January to June 2018, the Volkswagen Group's operating result was influenced by negative special items in connection with the diesel issue of €1.6 billion in the passenger car business area. The main reasons for the expenses are the €1.0 billion administrative order issued by the Braunschweig public prosecutor in June, thereby settling the ongoing misdemeanor proceeding against Volkswagen AG, as well as higher legal defense costs.

As the majority shareholder, Porsche SE continues to be affected by this issue, in particular with regard to its result 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 prices of the Volkswagen ordinary and preference shares. As of 30 June 2018, there was no need to recognize an impairment loss on the basis of the earnings forecasts for the investment accounted for at equity in Volkswagen AG. However, particularly a further increase in the costs of mitigating the diesel issue might continue to lead to an impairment in the value of the investment. Finally, there may still be subsequent effects on the dividend policy of Volkswagen AG and therefore on the cash inflows at the level of Porsche SE. Legal risks from claims brought against Porsche SE stemming from this issue may also have an effect on the results of operations, financial position and net assets of the Porsche SE Group. For details of this matter, please refer to the explanations of the significant events and developments at the Volkswagen Group, the explanations of the results of operations, financial position and net assets, the report on opportunities and risks of the Volkswagen Group and the "Forecast report and outlook" section in the combined management report in the annual report of Porsche SE for the fiscal year 2017. The executive board of Porsche SE remains committed to the company's role as Volkswagen AG's long-term anchor shareholder and is still convinced of the Volkswagen Group's potential for increasing value added.

Annual general meeting

The annual general meeting of Porsche SE was held on 15 May 2018. Resolutions included the enlargement of the supervisory board from six to ten members. The amendment to the articles of association needed to enlarge the oversight body was resolved by the annual general meeting and was entered in the commercial register on 4 July 2018 and is thus effective.

The annual general meeting confirmed the court appointment of Dr. Günther Horvath and Mag. Marianne Heiß, Josef Michael Ahorner, Dr. Stefan Piëch and Peter Daniell Porsche were elected onto the supervisory board.

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 are described in the following:

Legal proceedings and legal risks in connection with 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 certain establishment objectives 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. 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). By decision dated 12 January 2017, the Higher Regional Court of Celle extended the KapMuG-based order of reference by additional establishment objectives. The first trial date took place on 12 October 2017. At this date the Higher Regional Court of Celle signalized that it intends to add further establishment objectives and explained its preliminary view on the state of affairs and of the dispute. Due to several motions to recuse the judges that have been dismissed in the meantime the Higher Regional Court of Celle had cancelled the trial dates scheduled for 2017. The Higher Regional Court of Celle scheduled dates for continuation of the hearing starting on 30 October 2018. Further motions to recuse the judges have been filed, about which a decision has not yet been made. Porsche SE is of the opinion that the claims asserted in the suspended initial proceedings are without merit and that the establishment objectives that are subject of the model case will be rejected. Porsche SE considers its opinion endorsed by the previous course of the oral hearing before the Higher Regional Court of Celle.

Furthermore the following proceedings in connection with the expansion of the investment in Volkswagen AG are or were pending:

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 (one of whom is no longer in office) of the supervisory board of Porsche SE before the Regional Court of Frankfurt am Main in September 2013. Porsche SE joined the proceeding as intervener in support of the two supervisory board members. A trial date for hearing the case took place on 30 April 2015. By interim judgment dated 21 May 2015, the court assigned six of the seven plaintiffs to provide a security for costs for the legal procedures. Porsche SE considers these claims to be without merit.

On 7 June 2012, Porsche SE filed an action against two companies of an investment fund for declaratory judgment with the Regional Court of Stuttgart that alleged claims in the amount of around US$195 million do not exist. The investment fund had asserted out-of-court that Porsche SE had made false and misleading statements in connection with its acquisition of a stake in Volkswagen AG during 2008. Therefore the investment fund announced that it intended to file the alleged claim before a court in England. On 18 June 2012, the investment fund filed an action against Porsche SE with the Commercial Court in England. On 6 March 2013, the English proceedings were suspended at the request of both parties until a final decision had been reached in the proceedings begun at the Regional Court of Stuttgart concerning the question of which court is the court first seized. On 24 July 2013, the Regional Court of Stuttgart decided that the Regional Court of Stuttgart is the court first seized. This decision of the Regional Court of Stuttgart was appealed by way of an immediate appeal by one of the defendants. By decision dated 28 November 2013, the Regional Court of Stuttgart did not allow the appeal and submitted the appeal to the Higher Regional Court of Stuttgart for a decision. By decision dated 30 January 2015, the Higher Regional Court of Stuttgart dismissed the immediate appeal. The defendant filed an appeal on points of law to the Federal Court of Justice. By decision dated 13 September 2016 the Federal Court of Justice annulled the Higher Regional Court of Stuttgart's decision of 30 January 2015 and referred the case back to the Higher Regional Court of Stuttgart for reconsideration. Porsche SE considers the action filed in England to be inadmissible and the asserted claims to be without merit.

Up to now in aggregate five actions in connection with the expansion of the investment in Volkswagen AG covering asserted damages of originally about €1.36 billion (plus interest) have been dismissed with final effect or withdrawn. In 2016, the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter were finally found not guilty concerning all charges of information-based market manipulation and, consequently, the motion for imposing a fine of €807 million against Porsche SE was also dismissed. The investigations against members of the supervisory board were terminated due to a lack of sufficient suspicion of a criminal act.

Legal proceedings and legal risks in connection with the diesel issue

In connection with the diesel issue (for a description see the combined management report for the fiscal year 2017 in the section “Diesel issue” in the section “Significant events and developments at the Volkswagen Group”) the following claims regarding preference shares of Porsche SE and, in one matter, also regarding shares of Volkswagen AG have been asserted against Porsche SE:

Since April 2016 a total of 190 proceedings against Porsche SE have been initiated before or have been transferred to the Regional Court of Stuttgart. One action was withdrawn in November 2017. In addition, several plaintiffs of one matter have withdrawn their actions of about €70 million. The pending actions concern damages in an amount totaling, if and to the extent the claims were quantified, about €865 million (plus interest) and in part establishment of liability for damages. The plaintiffs accuse Porsche SE of alleged nonfeasance of capital market information respectively alleged incorrect capital market information in connection with the diesel issue. A part of the actions is directed against both Porsche SE and Volkswagen AG. One action of about €11,500 is directed against both Porsche SE and Robert Bosch GmbH. In one part of the actions Volkswagen AG filed motions to recuse judges. The Regional Court of Stuttgart dismissed Volkswagen AG’s motions to recuse judges in some cases and has not yet made a decision in all remaining cases. Volkswagen AG has appealed these dismissals. Motions to recuse judges filed by a part of the plaintiffs were rejected. A part of the plaintiffs filed applications for establishment of a model case according to the KapMuG. As a precautionary measure, in case the Regional Court of Stuttgart does not dismiss actions right away, Porsche SE has applied in a total of ten proceedings for the issuance of a KapMuG-based order of reference containing six further specified establishment objectives. The Regional Court of Stuttgart decided on 28 February 2017 with respect to the aforementioned KapMuG motions to refer to the Higher Regional Court of Stuttgart nine of the establishment objectives asserted by the plaintiffs and the aforementioned six establishment objectives asserted by Porsche SE as a precautionary measure. With indicative court order dated 5 July 2018, the Higher Regional Court of Stuttgart expressed doubts as to the admissibility of the initiation of model case proceedings by the order of reference dated 28 February 2017. In addition, on 6 December 2017 the Regional Court of Stuttgart in proceedings against Volkswagen AG adopted a KapMuG-based order of reference concerning questions of local jurisdiction regarding investor lawsuits in connection with the diesel issue. A part of the plaintiffs has filed motions for suspension of the proceedings with reference to this order of reference. A part of the plaintiffs filed motions for suspension of the proceedings with reference to 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. It is currently unclear to what extent the actions pending before the Regional Court of Stuttgart will be suspended with reference to the order of reference issued by the Regional Court of Braunschweig or with reference to the orders of reference issued by the Regional Court of Stuttgart. Since early May 2017, 106 actions have been suspended in whole or partially by the Regional Court of Stuttgart with reference to its order of reference of 28 February 2017 and, to the extent the Regional Court of Stuttgart did not suspend the actions, it partially suggested a withdrawal of the action. The Regional Court of Stuttgart by order decided in 28 actions that the respective action will not be suspended with reference to its order of reference dated 28 February 2017. In order to clarify the extent of the suspension the Regional Court of Stuttgart intends to schedule a hearing in three matters starting in September 2018. Porsche SE considers these claims to be without merit.

Since September 2016 seven actions have been filed against Porsche SE before the Regional Court of Braunschweig. Four of those are still pending 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 alleged nonfeasance of capital market information respectively alleged incorrect capital market information. The actions aim for claims for damages against Porsche SE in the amount of currently about €17,000. With orders of 21 February and 8 March 2018 the Regional Court of Braunschweig suspended three of the proceedings pending before it with respect to Porsche SE and Volkswagen AG with reference to the KapMuG-based order of reference issued by the Regional Court of Braunschweig as well as the order of reference of the Regional Court of Stuttgart of 6 December 2017 concerning questions of local jurisdiction. Thus, Porsche SE is, in addition to Volkswagen AG, model case defendant in the model case proceedings before the Higher Regional Court of Braunschweig and the model case proceedings before the Higher Regional Court of Stuttgart concerning questions of local jurisdiction which were initiated by the order of reference dated 6 December 2017. The Higher Regional Court of Braunschweig scheduled dates for the hearing starting on 10 September 2018. A decision regarding the suspension of the remaining action pending before the Regional Court of Braunschweig is still outstanding. Porsche SE considers these claims to be inadmissible and to be without merit.

10 court orders for payment 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. Meanwhile four of the claimants have asserted alleged claims for damages against Porsche SE of about €3.6 million (plus interest) in court.

Since October 2015, 51 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 €37 million (without interest). The plaintiffs demand damages caused by alleged 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.

Investigation proceedings

The Stuttgart public prosecutor informed on inquiry that in summer 2016 it received a complaint by the German Financial Supervisory Authority (BaFin) against officials of Porsche SE and that, thereupon, the Stuttgart public prosecutor initiated investigation proceedings on suspicion of market manipulation in connection with the diesel issue. The proceedings are directed against Prof. Dr. Martin Winterkorn, Hans Dieter Pötsch and Matthias Müller. The investigation proceedings are not directed against Porsche SE. Porsche SE considers the allegation made to be without merit.

Proceedings regarding shareholders' actions

A shareholder has 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 action are the shareholders' resolutions on the exoneration of the executive board and the supervisory board for 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. By decision of 28 October 2016 the Regional Court of Stuttgart dismissed the actions. The plaintiff has appealed this decision of the Regional Court of Stuttgart.

Porsche SE considers the actions to be partially inadmissible and in any event to be without merit.

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 fiscal year 2015. By decision dated 19 December 2017 the Regional Court of Stuttgart granted the action. Porsche SE has appealed this decision. 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 and allegedly answered insufficiently at the annual general meeting on 29 June 2016 is demanded. By decision dated 5 December 2017 the Regional Court of Stuttgart accepted the motion with respect to five questions and dismissed it regarding the remaining 49 questions. Porsche SE has appealed this decision. Porsche SE considers the motion to be without merit.

Significant events and developments at the Volkswagen Group

In the second quarter of the fiscal year 2018, the following significant events and developments occurred at the Volkswagen Group:

Diesel issue

In June 2018, the public prosecutor in Braunschweig issued Volkswagen AG an administrative order in connection with the diesel issue. The administrative order is linked to negligent breaches of monitoring obligations on the part of Volkswagen AG employees in the powertrain development department and relates to the period from mid-2007 to 2015 and a total of 10.7 million vehicles with diesel engines of types EA 189 worldwide and EA 288 (Generation 3) in the USA and Canada. The administrative order imposes a fine of €1.0 billion in total, comprising the maximum legal penalty of €5 million and the disgorgement of economic benefits in the amount of €995 million. Following thorough examination, the fine was accepted and paid in full by Volkswagen AG. The administrative order is therefore legally binding. As a result of the administrative order, the ongoing misdemeanor proceeding against Volkswagen AG will be settled.

Partnerships

In mid-April 2018, Volkswagen Truck & Bus AG (formerly Volkswagen Truck & Bus GmbH) and Hino Motors Ltd., Japan signed a framework agreement for a strategic partnership. Based on their common vision, the two companies will explore opportunities to cooperate in the fields of logistics and transport research on existing and new technologies and on procurement. In terms of technologies, potential cooperation will concentrate on conventional, hybrid and electric drivetrains, as well as on the fields of connectivity and autonomous driving. Volkswagen Truck & Bus and Hino Motors plan to use the strategic partnership to further expand their global presence and master the challenges posed by the industry. Hino is a leading commercial vehicle manufacturer with a strong presence on the domestic Japanese market and in Asia.

In June 2018, the Volkswagen Group and the Ford Motor Company signed a declaration of intent. The aim is to boost the two companies' competitiveness and better respond to customers' needs worldwide. Volkswagen and Ford are examining potential projects in a series of business areas, including the development of commercial vehicle models.

The Volkswagen Group also launched a new joint venture with QuantumScape in June 2018. The goal is to enable mass production of solid-state batteries and build a production facility by 2025. Volkswagen is also investing US$100 million in QuantumScape, making it the largest automotive shareholder of the innovative company. Completion of this transaction remains subject to approval by the authorities.

Cash settlement to the non-controlling interest shareholders of MAN SE

On 26 June 2018, the Higher Regional Court in Munich made a final decision in the award proceedings on the appropriateness of the cash settlement and the right to compensation payable to the non-controlling interest shareholders of MAN SE, ruling that the annual compensation claim per share has to be increased. The cash settlement in the amount of €90.29 per share, increased in the first instance by the Regional Court in Munich I, was confirmed. On 30 July 2018, as part of the amendment process, the Higher Regional Court in Munich established the annual compensation claim of €5.47 gross (less any corporate income tax and any solidarity surcharge according to the respective tax rate applicable to these taxes for the financial year in question).

Business development

The business development of Porsche SE is largely shaped by its investment in Volkswagen AG as well as the development of the actions pending against it. For the business development of Porsche SE, please refer to the sections “Significant events and developments at the Porsche SE Group” and “Explanatory notes on results of operations, financial position and net assets” in this interim group management report. The following statements take into consideration factors influencing operating developments in the passenger cars and commercial vehicles business areas at the Volkswagen Group.

General economic development

The global economy continued its solid growth in the first six months of 2018. The average expansion rate of gross domestic product (GDP) was up year on year in both the advanced and the emerging market economies. Energy and commodity prices increased in most cases compared with the prior-year period amid a still comparatively low interest rate level. Growing upheaval in trade policy at international level led to substantially increased uncertainty.

Trends in the passenger car markets

The global demand for passenger cars increased in the period from January to June 2018 (plus 3.5%), thus exceeding the comparable prior-year figure for the ninth year in a row. While demand in Western Europe and North America only saw a slight increase, the Asia-Pacific, South America, as well as Central and Eastern Europe regions enjoyed a marked growth in demand in some cases.

Trends in the markets for commercial vehicles

Global demand for light commercial vehicles was down on the prior year in the period from January to June 2018. In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was above the prior-year figure in this period. Demand for buses in the markets that are relevant for the Volkswagen Group was moderately above the prior-year level in the period from January to June 2018. The markets in Brazil as well as in Central and Eastern Europe contributed in particular to this growth.

Employees in the Volkswagen Group
At the end of the first half of 2018, the Volkswagen Group had a total of 649,692 employees worldwide, up 1.2% on the number as of 31 December 2017. The main contributors to this were expansion due to the increase in volume, the recruitment of specialists inside and outside Germany and the expansion of the workforce at our new plants in China. There were 288,544 employees in Germany, up 0.4% on year-end 2017. The proportion of employees in Germany declined to 44.4% (44.8%).

Sales and production in the Volkswagen Group
In the first six months of 2018, the Volkswagen Group's unit sales to the dealer organization[1] (including the Chinese joint ventures) rose by 5.8% to 5,575,490 vehicles. This was due especially to higher demand in Europe, China and Brazil. Between January and June 2018, the Volkswagen Group's production increased by 6.5% year on year to a total of 5,785,559 vehicles. Production in Germany fell by 1.8% to 1,326,997 units. The proportion of vehicles produced in Germany declined to 22.9% (24.9%).

[1] The dealer organization comprises all external dealer companies that are supplied by the Volkswagen Group.

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

Deliveries of passenger cars and commercial vehicles from 1 January to 30 June[1]

	2018	2017	Change %
Regions			
Europe/Other markets	2,609,600	2,459,549	6.1
North America	465,001	461,414	0.8
South America	280,945	248,350	13.1
Asia-Pacific	2,163,440	1,986,136	8.9
Worldwide	**5,518,986**	**5,155,449**	**7.1**
by brands			
Volkswagen passenger cars	3,118,696	2,935,132	6.3
Audi	949,282	908,683	4.5
ŠKODA	652,735	585,013	11.6
SEAT	289,948	246,493	17.6
Bentley	4,430	5,238	–15.4
Lamborghini	2,327	2,091	11.3
Porsche	130,600	126,497	3.2
Bugatti	34	20	70.0
Volkswagen commercial vehicles	258,800	249,951	3.5
Scania	46,778	43,608	7.3
MAN	65,356	52,723	24.0

[1] Deliveries for 2017 have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

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

In the following explanations, the significant results of operations as well as the financial position and net assets for the first six months of the fiscal year 2018 and as of 30 June 2018 are compared to the corresponding comparative figures for the period from 1 January to 30 June 2017 (results of operations and financial position) and as of 31 December 2017 (net assets). The PTV Group (PTV AG and its subsidiaries) was acquired in September 2017, which means the comparative period is only comparable to a limited extent. Since this acquisition the Porsche SE Group distinguishes between two segments: The first segment, "PSE", primarily represents Porsche SE holding operations including the investments accounted for at equity. The second segment, "Intelligent Transport Systems" ("ITS"), comprises the development of smart software solutions for transport logistics as well as traffic planning and traffic management. The results of operations of the Porsche SE Group are mainly the sum of the two segments, as the reconciliation effects are immaterial.

Results of operations of the Porsche SE Group

The Porsche SE Group's result for the period came to €1,904 million (€1,866[1] million) in the first half of the fiscal year 2018. Of this, €1,916 million (€1,866[1] million) related to the PSE segment. For the ITS segment, a result for the period after tax of minus €11 million is derived, taking into consideration effects from the purchase price allocation amounting to minus €5 million.

This result for the period for the PSE segment was significantly influenced by the result from the investments accounted for at equity of €1,939 million (€1,912[1] million). The increase in the result from investments accounted for at equity of €27 million is attributable to the investment in Volkswagen AG. The result from the investment in INRIX accounted for at equity improved on the prior year, although it is still slightly negative.

The result from investments accounted for at equity contained profit contributions from ongoing equity accounting of €1,982 million (€1,958[1] million) as well as subsequent effects from purchase price allocations of minus €43 million (minus €46 million).

Other operating expenses decreased in the PSE segment by €9 million compared to the prior year. The higher prior-year figure was largely attributable to increased legal and consulting fees. Personnel expenses increased by €4 million on the prior year. This is also due to payments made to the former member of the executive board Matthias Müller.

The financial result of the PSE segment came to minus €1 million in the reporting period (minus €9 million). The improvement was due in particular to lower interest expenses following the repayment of a €300 million loan due to the Volkswagen Group mid-June 2017.

The PSE segment generated a result before tax of €1,920 million (€1,880[1] million). The deferred income tax expense decreased by €9 million on the

[1] The prior-year figures were adjusted due to the first-time application of IFRS 9 (see section "New accounting standards" in the interim condensed consolidated financial statements).

prior year and is primarily attributable to the change in the carrying amount of the investment in Volkswagen AG accounted for at equity.

In the reporting period, the ITS segment generated revenue of €47 million, resulting primarily from license sales, maintenance services rendered and the project business. With personnel expenses of €31 million, cost of materials of €8 million, other operating expenses of €13 million and amortization and depreciation of €8 million, the ITS segment generated a result before tax of minus €12 million.

Financial position of the Porsche SE Group

Cash inflow from operating activities improved to €577 million in the first half of 2018 (€271 million). The increase is foremost attributable to higher dividends received from the investment in Volkswagen AG of €601 million (€308 million).

There was a cash outflow from investing activities of €102 million (cash inflow of €457 million) in the first half of 2018. This mainly resulted from the increase in the securities portfolio as well as in time deposits of €99 million in total.

There was a cash outflow from financing activities of €538 million (€608 million) in the first half of 2018. This is entirely due to the dividend payment made to the shareholders of Porsche SE. In the prior year, this item also contained the full repayment of a loan due to the Volkswagen Group of €300 million.

Cash and cash equivalents therefore decreased by a total of €64 million compared to 31 December 2017 to €600 million (€664 million).

Net liquidity of the Porsche SE Group comprises cash and cash equivalents, time deposits and securities less financial liabilities. It increased to €972 million compared to the beginning of the year (€937 million).

Net assets of the Porsche SE Group

The Porsche SE Group's total assets increased by €827 million from €31,576[1] million as of 31 December 2017 to €32,403 million as of the end of the first half of 2018.

The non-current assets of the Porsche SE Group totaling €31,380 million (€30,586[1] million) relate primarily to the investments accounted for at equity. These include in particular the carrying amount of the investment in Volkswagen AG accounted for at equity, which increased by €799 million to €31,018 million. This increase results in particular from the result from investments accounted for at equity of €1,940 million. It is counterbalanced by the expenses and income recognized directly in equity (minus €540 million) as well as dividend payments received (minus

[1] The prior-year figures were adjusted due to the first-time application of IFRS 9 and IFRS 15 (see section "New accounting standards" in the interim condensed consolidated financial statements).

€601 million). The investments accounted for at equity also include the carrying amount of the investment in INRIX of €17 million (€15 million).

Intangible assets of the Porsche SE Group of €326 million (€333 million) primarily contain the goodwill of €213 million resulting from the consolidation of the PTV Group as well as the amortized carrying amounts for customer bases, software and brand resulting from the purchase price allocation.

Current assets of €1,023 million (€991 million) mainly consist of cash and cash equivalents, time deposits and securities.

As of 30 June 2018, the equity of the Porsche SE Group increased to a total of €32,120 million (€31,292[1] million) in particular due to the group result for the year. The equity ratio remains constant compared to the end of the fiscal year 2017 at 99.1%.

Related parties

With regard to significant transactions with related parties, reference is made to the note [10] to the interim condensed consolidated financial statements.

Results of operations of the Volkswagen Group

The following statements relate to the original results of the Volkswagen Group in the first half of the fiscal year 2018. 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 are not taken into consideration. It should also be noted that the group result of Porsche SE only reflects its capital share in the result of the Volkswagen Group. The mandatory application of IFRS 9 and IFRS 15 resulted in some prior-year figures having to be adjusted.

In the first half of 2018, the Volkswagen Group generated revenue of €119.4 billion. The 3.5% increase was primarily attributable to higher vehicle sales and the healthy business performance in the financial services division; these factors were partially offset by negative exchange rate trends. The effects of applying the new International Financial Reporting Standards largely offset each other. The Volkswagen Group generated 79.8% (80.0%) of its revenue outside Germany.

At €24.8 billion, gross result was up €1.1 billion year on year. The gross margin amounted to 20.8% (20.6%).

[1] The prior-year figures were adjusted due to the first-time application of IFRS 9 and IFRS 15 (see section “New accounting standards” in the interim condensed consolidated financial statements).

The Volkswagen Group's operating result before special items improved by €0.9 billion in the first six months of 2018 to €9.8 billion, while the operating return on sales before special items increased to 8.2% (7.7%). This was largely due to increases in volume, although fair value measurement gains and losses on certain derivatives, which have had to be reported here since the beginning of the year, and a lower capitalization ratio for development costs had a negative impact. Special items in connection with the diesel issue amounting to minus €1.6 billion weighed on operating result. As a result, the Volkswagen Group's operating result was down €0.8 billion on the prior year, at €8.2 billion. The operating return on sales declined to 6.8% (7.7%).

The financial result increased by €0.9 billion to €0.8 billion. Lower expenses from the reporting date measurement of derivative financial instruments used to hedge financing transactions, positive foreign currency measurement effects and lower interest expenses had a positive impact, while the effect of the remeasurement of put options and compensation rights in connection with the control and profit and loss transfer agreement with MAN SE was negative. The share of the result of equity-accounted investments was on a level with the prior year, when the remeasurement of the interest in HERE following the acquisition of shares by additional investors had a positive impact. The share of the result of equity-accounted investments in the Chinese joint ventures was up on the prior year.

The Volkswagen Group's result before taxes rose by 2.0% to €9.0 billion in the reporting period. Compared with the prior year, result after tax increased by €0.1 billion to €6.6 billion.

Opportunities and risks of future development

Opportunities and risks at Porsche SE

The report on opportunities and risks at Porsche SE in the combined management report of Porsche SE for the fiscal year 2017 must be updated as of 30 June 2018 with regard to the statements on the current status of the legal proceedings. We refer to the section “Significant events and developments at the Porsche SE Group” in this interim group management report. With regard to the presentation of opportunities and risks from investments, the risks relating to the profit contribution from the PTV Group have increased. This is attributable to the development of the PTV Group falling short of expectations in the first half of 2018, which is not expected to be fully offset in the second half of the year. Beyond this, there were no significant changes compared with the presentation of the opportunities and risks of Porsche SE in the combined management report for the fiscal year 2017.

Opportunities and risks at the Volkswagen Group

Special items resulting from the diesel issue had a negative impact on operating result in the second quarter of 2018. The Volkswagen Group’s forecast for operating result before special items for the group and the passenger cars business area remains unchanged. Volkswagen reduced the forecast for operating result including special items. The return on investment (ROI) will consequently be slightly under the prior-year level.

For certain T6 models (M1 class) with Euro 6 diesel engines registered as passenger cars, the inspection regarding the conformity of the current production of new vehicles with the approved type (conformity of production) identified that certain technical data could not be fully confirmed. To ensure this conformity of production for new vehicles, Volkswagen AG developed a software measure, which was approved by the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) at the end of February 2018 and was applied to the production of new vehicles as well as to (a total of approximately 30,000) new vehicles that had not been delivered by then. Volkswagen AG also conducted in-use tests to determine whether the around 200,000 T6 used vehicles already on the market are in conformity with the technical data. The tests carried out on the proposal of Volkswagen AG were taking place in close collaboration with the KBA, which included this process in a decision dated 1 March 2018. The results of these tests show that the technical data of the used T6 vehicles are conform.

On 2 March 2018, the federal multidistrict litigation court in California dismissed in its entirety the first amended class action complaint alleging that these bonds were trading at artificially inflated prices and that the value of these bonds declined after the U.S. Environmental Protection Agency (EPA) issued its notices of violation, but granted leave to file a second amended complaint. On 2 April 2018, plaintiffs filed a second amended class action complaint, which Volkswagen AG has moved to dismiss.

On 5 March 2018, a Tennessee state court granted in part and denied in part a motion to dismiss the state environmental claims asserted against Volkswagen AG and certain affiliates by the Tennessee Attorney General. Volkswagen and Tennessee both moved for and have been granted an interlocutory appeal of the decision.

On 12 March 2018, a Minnesota state court granted in part and denied in part a motion to dismiss the state environmental claims asserted against Volkswagen AG and certain affiliates by the Minnesota Attorney General. Volkswagen has appealed the decision.

On 15 March 2018, co-lead counsel for plaintiffs with regard to the German Automotive Manufacturers Antitrust Litigation filed consolidated amended class action complaints against Volkswagen AG and certain affiliates as well as other manufacturers in the Northern District of California on behalf of putative classes of indirect and direct purchasers. The consolidated amended complaints claim that since the 1990s, defendants had engaged in a conspiracy to unlawfully increase the prices of German luxury vehicles by agreeing to share commercially sensitive information and to reach unlawful agreements regarding technology, costs, and suppliers. Moreover, plaintiffs claim that defendants had agreed to limit the size of AdBlue tanks to ensure that U.S. emissions regulators did not scrutinize the emissions control systems in defendants' vehicles, and that such agreement for Volkswagen was the impetus for the creation of the defeat device. The complaints further claim that defendants had coordinated to fix the price of steel used in their automobiles by agreeing with German steel manufacturers to apply a two component pricing formula to steel purchases and worked closely together to generate scientific studies aimed at promoting diesel vehicles. On 17 May 2018, all defendants filed a joint motion to dismiss the two consolidated class action complaints. On 24 May 2018, Volkswagen defendants also filed an individual motion to dismiss on grounds specific to them. The motions have been fully briefed, and a hearing is currently scheduled for 17 September 2018.

On 22 March 2018, Volkswagen AG, certain affiliates and the Arizona Attorney General notified an Arizona state court that they have reached a settlement of Arizona's consumer protection claims and unfair trade practices claims. On 24 May 2018, the Arizona state court granted a stipulation of dismissal with prejudice of the Arizona action.

In South Korea, approval for the last vehicle clusters with engine type EA 189 was given on 28 March 2018.

The Ministry of Environment in South Korea qualified certain emissions strategies in the engine control software of various diesel vehicles with a V6 or V8 engine meeting the Euro 6 emission standard as an unlawful defeat device and ordered a recall on 4 April 2018; the same applied to the Dynamic Shift Program (DSP) in the transmission control of a number of Audi models.

On 11 April 2018, a Texas state court granted in part and denied in part a motion for summary judgment on the state environmental claims asserted against Volkswagen AG and certain affiliates by the Texas Attorney General. The Texas court denied Volkswagen's motion for reconsideration or interlocutory appeal.

On 16 April 2018, the federal multidistrict litigation court in California dismissed with prejudice state and local environmental claims asserted against certain Volkswagen AG affiliates by the Environmental Protection Commission of Hillsborough County, Florida and Salt Lake County, Utah, on the basis of the same federal preemption issue that is currently being litigated in the Tennessee, Minnesota, and Texas cases referenced above, as well as in several other state courts. The counties have appealed that decision.

Moreover, the Stuttgart public prosecutor's office has commenced a criminal investigation into the diesel issue against one board member, one employee and one former employee of Dr. Ing. h.c. F. Porsche AG on suspicion of fraud and illegal advertising. Dr. Ing. h.c. F. Porsche AG has appointed two renowned major law firms to clarify the matter underlying the public prosecutor's accusations. The investigations are at an early stage. The board of management and supervisory board of Dr. Ing. h.c. F. Porsche AG are being regularly updated on the current state of affairs. If the findings constitute reproachable conduct or fault on behalf of the organization, then the board of management and supervisory board, respectively, will adopt the necessary measures.

On 18 April 2018, the EPA and California Air Resources Board (CARB) approved the second phase of the emissions modification for affected 2.0 l TDI vehicles with Generation 3 engines. Thereby the approval process for the technical measures for the relevant vehicles with engine type EA 189 has now been completed in all countries with the exception of Chile.

On 19 April 2018, the federal multidistrict litigation court in California approved the stipulation of the parties postponing the hearing previously scheduled for 11 May 2018, regarding defendants' motion to dismiss plaintiffs' consolidated class action complaint alleging that defendants concealed the existence of defeat devices in Audi brand vehicles with automatic transmissions. The hearing was postponed again.

On 25 April 2018, Volkswagen AG, certain affiliates and the Maryland Department of the Environment announced an agreement to resolve the State of Maryland's environmental and remaining consumer claims for restitution or injunctive relief. The Maryland settlement includes a consent decree, which the Maryland state court approved on 3 May 2018.

On 19 April and 25 April 2018, respectively, Ontario and Quebec courts granted approval of a consumer settlement entered into by Volkswagen AG and other Volkswagen group companies involving 3.0 l TDI vehicles.

On 1 May 2018, Volkswagen AG, certain affiliates, and the West Virginia Attorney General announced an agreement to resolve the State of West Virginia's consumer claims. The West Virginia settlement includes a consent decree, which the West Virginia state court approved on 1 May 2018.

On 29 August 2017, plaintiffs filed a complaint, on behalf of a putative class of purchasers of Volkswagen AG's American Depositary Receipts, against Volkswagen AG, and against three former and one current member of Volkswagen AG's board of management in the U.S. District Court for the Eastern District of New York. Plaintiffs assert claims under the U.S. Securities Exchange Act of 1934 alleging that defendants made material misstatements and omissions concerning Volkswagen AG's compliance measures, in particular those relating to competition and antitrust law. On 13 July 2018, plaintiffs filed an amended complaint. Defendants plan to move to dismiss this complaint.

On 18 May 2018, the EPA and CARB approved an emissions modification for Generation 1.1 vehicles with type V6 3.0 l TDI engines. On 13 July 2018, the EPA and CARB approved an emissions modification for Generation 1.2 vehicles with type V6 3.0 l TDI engines.

On 22 May 2018, plaintiffs filed a consolidated class action complaint on behalf of a putative class of Volkswagen salespersons who work at franchise dealerships. On 7 June 2018, the court in the federal multidistrict litigation in California appointed the plaintiffs' counsel as the interim lead counsel for the putative class.

On 28 May 2018, a class action filed in Quebec provincial court was authorized to proceed as to claims relating to Volkswagen AG's shares and American Depositary Receipts.

On 1 June 2018, a notice of amendment to the Third Partial Consent Decree entered into with the Department of Justice (DoJ) and EPA, which modified certain due dates related to annual reporting, was filed with the federal multi-district litigation court in California.

On 5 June 2018, an Illinois state court granted a motion to dismiss the state environmental claims asserted against Volkswagen AG and certain affiliates by the Illinois Attorney General. Illinois has appealed that decision.

On 6 June 2018, Volkswagen AG, certain affiliates, and the Oklahoma Attorney General announced an agreement to resolve the State of Oklahoma's consumer claims. The Oklahoma settlement includes a consent decree, which the Oklahoma state court approved on 6 June 2018.

In the course of the searches on 11 June 2018, it transpired that the public prosecutor's office of Munich II has extended the criminal investigation pending there. The underlying search warrant shows that the chairman of the board of management of AUDI AG (at the same time a member of the board of management of Volkswagen AG) and a further active member of the AUDI AG board of management are now under investigation. The accusations include fraud in connection with the sale of diesel vehicles on the European market in the period after fall 2015. The chairman of the board of management of AUDI AG was arrested on 18 June 2018 and has been in custody ever since. In this context, the public prosecutor's office of Munich II is currently investigating 20 individuals. AUDI AG has appointed two renowned major law firms to clarify the matter underlying the public prosecutor's accusations. The investigations are at an early stage. The board of management and supervisory board of AUDI AG are being regularly updated on the current state of affairs. If the findings do illustrate reproachable conduct or fault on behalf of the organization, then the board of management or supervisory board of AUDI AG, respectively, will adopt the necessary measures.

On 13 June 2018, Volkswagen AG, certain affiliates, and the Vermont Attorney General announced an agreement to resolve the State of Vermont's consumer claims. On 16 July 2018, a joint stipulation of dismissal was filed with the Vermont court.

On 13 June 2018, the public prosecutor in Braunschweig issued Volkswagen AG an administrative order in connection with the diesel issue. The administrative order is linked to negligent breaches of monitoring obligations on the part of Volkswagen AG employees in the powertrain development department and relates to the period from mid-2007 to 2015 and a total of 10.7 million vehicles with diesel engines of types EA 189 worldwide and EA 288 (Generation 3) in the USA and Canada. The administrative order imposes a fine of €1.0 billion in total, comprising the maximum legal penalty of €5 million and the disgorgement of economic benefits in the amount of €995 million. Following thorough examination, the fine was accepted and paid in full by Volkswagen AG. The administrative order is therefore legally binding. As a result of the administrative order, the ongoing misdemeanor proceeding against Volkswagen AG will be settled. Further sanctioning or confiscation against Volkswagen AG and its group companies is therefore not expected in Germany in connection with the particular matter covered by the administrative order concerning diesel engines of types EA 189 worldwide and EA 288 (Generation 3) in the USA and Canada. As a result, Volkswagen expects that the conclusion of this proceeding will have a substantially positive impact on additional governmental proceedings conducted in Europe against Volkswagen AG and its group companies. The misdemeanor proceedings in relation to the matter concerning AUDI AG being investigated by the public prosecutor's office in Munich are continuing.

On 25 June 2018, a Pennsylvania state court approved a consent judgment that implemented an earlier settlement agreement resolving the state environmental claims asserted against Volkswagen AG and certain affiliates by the State of Pennsylvania and nine other states that have opted out of federal emissions standards.

On 26 June 2018, a Missouri state court granted a motion to dismiss the state environmental claims asserted against Volkswagen AG and certain affiliates by the Missouri Attorney General.

On 26 June 2018, the Higher Regional Court in Munich made a final decision in the award proceedings on the appropriateness of the cash settlement and the right to compensation payable to the non-controlling interest shareholders of MAN SE, ruling that the annual compensation claim per share has to be increased. The cash settlement in the amount of €90.29 per share, increased in the first instance by the Regional Court in Munich I, was confirmed. On 30 July 2018, as part of the amendment process, the Higher Regional Court in Munich established the annual compensation claim of €5.47 gross (less any corporate income tax and any solidarity surcharge according to the respective tax rate applicable to these taxes for the financial year in question). The decisions by the Higher Regional Court in Munich are final and to be published in the Federal Gazette. In accordance with Sec. 305 German Stock Corporation Act (AktG), the cash compensation of €90.29 per share may be accepted within two months after this date.

On 6 July 2018, the Federal Constitutional Court ruled on the constitutional complaints in connection with the search at the law firm Jones Day and ascertained that the confirmation of the provisional seizure of client engagement documents and data of Volkswagen AG had not violated constitutional law. The companies of the Volkswagen Group will continue to cooperate with the government authorities with due regard for the ruling of the Federal Constitutional Court.

In Austria, the first-instance dismissal of the last investor complaint pending in connection with the diesel issue became binding in the reporting period.

For many months, AUDI AG has been intensively checking all diesel concepts for possible discrepancies and retrofit potentials. From July 2017 to June 2018, the measures proposed by AUDI AG were adopted and mandated in various decisions by the KBA on vehicle models with V6 and V8 TDI engines. The investigations initiated in May 2018 on the current vehicle concepts of the Generation 2 evo and Generation 3 engine generations have been completed. The key results are currently being presented to the KBA.

In Germany, around 17,300 product-related individual actions brought by customers in connection with the diesel issue are pending against Volkswagen AG and other Volkswagen group companies.

Having served Volkswagen AG with an action asserting the rights assigned by approximately 2,000 customers in Switzerland, financialright GmbH has now brought a further such action on behalf of around 6,000 Slovenian customers. The total amount in dispute in these actions is approximately €50 million.

The private Spanish consumer protection organization Organización de Consumidores y Usuarios (OCU) filed a class action against Volkswagen Group España Distribución S.A. on 9 May 2018. OCU represents around 7,500 Spanish customers, claiming for damages in the amount of almost €23 million.

Beyond this, there were no significant changes in the reporting period compared with the disclosures on the Volkswagen Group's expected development in fiscal year 2018 in the "Forecast report and outlook" and "Opportunities and risks of future development" sections – including the "Risks from the diesel issue" and "Effects of the diesel issue on legal risks" sections and the underlying description of the issues in the section entitled "Diesel issue" in the section "Significant events and developments at the Volkswagen Group" – of the combined management report in the 2017 annual report of Porsche SE or in publications released by the reporting date, as well as the continuing investigations and interviews in connection with the diesel issue and additional important legal cases.

Forecast report and outlook

Anticipated development of the Volkswagen Group

The Volkswagen Group is well prepared for the future challenges in the mobility business and the mixed developments in regional automotive markets. Its unique brand portfolio, presence in all major world markets, broad and selectively expanded product range, and pioneering technologies and services place it in a good competitive position worldwide. In the course of transforming its core business, Volkswagen will define the positioning of its Group brands more clearly and optimize the vehicle and drive portfolio with a view to the most attractive and fastest-growing market segments. In addition, the Volkswagen Group is working to make even more focused use of the advantages of its multibrand group by continuously developing new technologies and toolkits.

The Volkswagen Group expects that deliveries to customers in 2018 will moderately exceed the prior-year figure amid continuously challenging market conditions.

Challenges will arise particularly from the economic situation, the increasing intensity of competition, exchange rate volatility and the diesel issue. In the EU, there is also a new, more time-consuming test procedure for determining pollutant and CO_2 emissions as well as fuel consumption in passenger cars and light commercial vehicles known as the Worldwide Harmonized Light-Duty Vehicles Test Procedure (WLTP).

The revenue of the Volkswagen Group and its business areas is expected to grow by as much as 5% year on year. In terms of the operating result before special items for the group and the passenger cars business area, the Volkswagen Group forecasts an operating return on sales in the range of 6.5-7.5% in 2018. For the commercial vehicles business area, an operating return on sales of between 5.0-6.0% is anticipated. In the power engineering business area, Volkswagen expects a lower operating loss than in the prior year. For the financial services division, Volkswagen is forecasting an operating result at the prior-year level.

After special items, Volkswagen anticipates that the operating return on sales will fall moderately short of the expected range for both the group and the passenger cars business area.

Anticipated development of the Porsche SE Group

The Porsche SE Group's result is largely dependent on the results of operations of the Volkswagen Group and therefore on the result 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 result, supplemented in particular by expectations of Porsche SE's executive board regarding developments of the financial result, including the profit contributions from investments at the level of the Volkswagen Group.

As Porsche SE's forecast cannot be based exclusively on the operating result forecast by the Volkswagen Group, effects that influence the result 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 result in the Volkswagen Group, while these effects impact the Porsche SE Group's forecast result for the year.

The following earnings forecast is based on the current structure of the Porsche SE Group. Effects from any other future investments of the Porsche SE Group are not taken 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 ongoing existing uncertainties with regard to possible special items in connection with the diesel issue, Porsche SE continues to expect a group result for the year of between €3.4 billion and €4.4 billion for the fiscal year 2018.

As of 30 June 2018, the Porsche SE Group had net liquidity of €972 million. The goal of both Porsche SE and the Porsche SE Group to achieve positive net liquidity remains unchanged. This is expected to be between €0.7 billion and €1.2 billion as of 31 December 2018, not taking future investments into account.

Stuttgart, 9 August 2018
Porsche Automobil Holding SE

The executive board

Hans Dieter Pötsch   Dr. Manfred Döss   Philipp von Hagen

Interim condensed consolidated financial statements

Consolidated income statement
of Porsche Automobil Holding SE for the period from 1 January to 30 June 2018

€ million	Note	1st half of 2018	1st half of 2017
Revenue	[1]	47	0
Changes in inventories		0	0
Other operating income		2	0
Cost of materials		-8	0
Personnel expenses		–40	-5
Amortization and depreciation		-8	0
Other operating expenses		–22	–18
Result from investments accounted for at equity	[2]	1,939	1,912[1]
Result before financial result		1,910	1,889
Finance costs		-1	–11
Other financial result		0	2
Financial result		**-1**	**-9**
Result before tax		**1,908**	**1,880**
Income tax		-4	–14
Result for the period		**1,904**	**1,866**
thereof attributable to			
shareholders of Porsche Automobil Holding SE	[3]	1,904	1,866
non-controlling interests		0	0
Earnings per ordinary share (basic and diluted)	[3]	6.22	6.09[1]
Earnings per preference share (basic and diluted)	[3]	6.22	6.10[1]

[1] The prior-year figures were adjusted due to the first-time application of IFRS 9 (see section “New accounting standards”).

Consolidated statement of comprehensive income of Porsche Automobil Holding SE for the period from 1 January to 30 June 2018

€ million	**1st half of 2018**	1st half of 2017
Result for the period	**1,904**	**1,866**[1]
Remeasurements of pensions recognized in equity (before tax)	0	0
Deferred tax on remeasurements of pensions recognized in equity	0	0
Other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity (after tax)	–34	425
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods	–34	425
Currency translation	0	0
Other comprehensive income to be reclassified to profit or loss in subsequent periods from investments accounted for at equity (after tax)	–499	242[1]
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	–499	242
Other comprehensive income after tax	**–534**	**667**
Total comprehensive income	**1,371**	**2,533**
thereof attributable to		
shareholders of Porsche Automobil Holding SE	1,371	2,533
non-controlling interests	0	0

[1] The prior-year figures were adjusted due to the first-time application of IFRS 9 (see section “New accounting standards”).

Consolidated balance sheet
of Porsche Automobil Holding SE as of 30 June 2018

€ million	Note	30/6/2018	31/12/2017
Assets			
Intangible assets		326	333
Property, plant and equipment		7	7
Investments accounted for at equity		31,035	30,235[1]
Other financial assets		9	7
Other assets		2	2
Deferred tax assets		1	1
Non-current assets		**31,380**	**30,586**
Inventories		4	3
Trade receivables		19	18
Other financial assets		4	4
Other assets		10	12
Income tax receivables		1	2
Securities		190	185
Time deposits		194	101
Cash and cash equivalents		600	664
Current assets		**1,023**	**991**
		32,403	**31,576**
Equity and liabilities			
Subscribed capital		306	306
Capital reserves		4,884	4,884
Retained earnings		26,929	26,100[1]
Equity attributable to shareholders of Porsche SE		32,119	31,291
Non-controlling interests		1	1
Equity	**[4]**	**32,120**	**31,292**
Provisions for pensions and similar obligations		37	36
Other provisions	[5]	16	19
Financial liabilities		12	12
Other financial liabilities		5	5
Other liabilities		0	0
Deferred tax liabilities		86	83[1]
Non-current liabilities		**156**	**154**
Other provisions	[5]	68	80
Trade payables		3	5
Financial liabilities		0	1
Other financial liabilities		16	19
Other liabilities		38	24
Income tax liabilities		1	1
Current liabilities		**127**	**130**
		32,403	**31,576**

1 The prior-year figures were adjusted due to the first-time application of IFRS 9 and IFRS 15 (see section “New accounting standards”).

Consolidated statement of changes in equity of Porsche Automobil Holding SE for the period from 1 January to 30 June 2018

€ million	Equity attributable to the shareholders of Porsche SE							
	Subscribed capital	Capital reserves	Retained earnings			Total	Non-controlling interests	Total equity
			Others[3]	Currency translation	Investments accounted for at equity			
As of 1 January 2017	306	4,884	24,737		–2,033	27,894	0	27,894
Adjustment due to IFRS 9			18[4]		–18[4]	0		0
Status after adjustment	306	4,884	24,755		–2,051	27,894	0	27,894
Result for the period			1,866[4]			1,866		1,866
Other comprehensive income after tax			0		667[4]	667		667
Total comprehensive income for the period			1,866		667	2,533		2,533
Dividend payment			–308[1]			–308		–308
Other changes in equity arising from the level of investments accounted for at equity			–5			–5		–5
As of 30 June 2017	**306**	**4,884**	**26,308**		**–1,384**	**30,114**	**0**	**30,114**
As of 1 January 2018	306	4,884	27,739	0	–1,520	31,410	1	31,410
Adjustment due to IFRS 9 and IFRS 15			–86[4]		–33[4]	–119		–119
Status after adjustment	306	4,884	27,653	0	–1,553	31,291	1	31,292
Result for the period			1,904			1,904	0	1,904
Other comprehensive income after tax			0	0	–534	–534	0	–534
Total comprehensive income for the period			1,904	0	–534	1,371	0	1,371
Dividend payment			–538[2]			–538	0	–538
Other changes in equity arising from the level of investments accounted for at equity			–4			–4		–4
As of 30 June 2018	**306**	**4,884**	**29,015**	**0**	**–2,087**	**32,119**	**1**	**32,120**

1 Distribution of a dividend of €1.004 per ordinary share; total €153,737,500
Distribution of a dividend of €1.010 per preference share; total €154,656,250

2 Distribution of a dividend of €1.754 per ordinary share; total €268,581,250
Distribution of a dividend of €1.760 per preference share; total €269,500,000

3 Other retained earnings primarily contain accumulated profits. This item also contains expenses and income recognized directly in equity. The actuarial losses from pensions and similar obligations after taxes amount to €10 million as of 30 June 2018 (€10 million).

4 The prior-year figures were adjusted due to the first-time application of IFRS 9 and IFRS 15 (see section “New accounting standards”).

Equity is explained in note [4].

Consolidated statement of cash flows of Porsche Automobil Holding SE for the period from 1 January to 30 June 2018

€ million	**1st half of 2018**	1st half of 2017
1. Operating activities		
Result for the period	1,904	1,866[1]
Result from investments accounted for at equity	–1,939	–1,912[1]
Amortization and depreciation	8	0
Gains/losses from the disposal of intangible assets and property, plant and equipment	0	
Interest expense	1	11
Interest income	0	0
Income tax expense/income	4	14
Other non-cash expenses and income	1	0
Changes in other assets	2	-2
Changes in provisions for pensions	1	1
Changes in other provisions	–14	-6
Changes in other liabilities	7	2
Dividends received	601	308
Interest paid	-1	–13
Interest received	1	1
Income tax paid	-1	0
Income tax received	0	1
Cash flow from operating activities	**577**	**271**
2. Investing activities		
Cash paid for the acquisition of other shares in entities	-2	0
Cash paid for the acquisition of intangible assets and property, plant and equipment	-1	0
Cash received from the disposal of intangible assets, property, plant and equipment and leased assets	0	0
Changes in investments in securities	-5	28
Changes in investments in time deposits	–94	429
Cash flow from investing activities	**–102**	**457**
3. Financing activities		
Dividends paid to shareholders of Porsche SE	–538	–308
Dividends paid to non-controlling interests	0	0
Cash received for borrowing of loans	0	0
Cash paid for the settlement of financial liabilities	0	–300
Cash flow from financing activities	**–538**	**–608**
4. Cash and cash equivalents		
Changes in cash and cash equivalents (subtotal of 1 to 3)	–64	120
Exchange-rate related changes	0	0
Cash and cash equivalents as of 1 January	**664**	**648**
Cash and cash equivalents as of 30 June	**600**	**768**

[1] The prior-year figures were adjusted due to the first-time application of IFRS 9 (see section “New accounting standards”).

Selected explanatory notes

Basis of presentation

Porsche Automobil Holding SE (“Porsche SE” or the “company”) is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. The company is registered at the Stuttgart Local Court under HRB 724512.

The interim condensed consolidated financial statements of Porsche SE as of 30 June 2018 were prepared according to Sec. 115 WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act] as well as in accordance with the International Accounting Standard (IAS) 34 “Interim Financial Reporting”. Furthermore, the interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union (EU).

The half-yearly financial reporting covers the period from 1 January to 30 June of a year. The group’s presentation currency is the euro. Unless otherwise stated, all figures are presented in millions of euro (€ million). All figures and percentages are rounded according to customary business practice, so minor discrepancies may arise from the addition of these amounts. Amounts smaller than €0.5 million are stated at zero.

The interim condensed consolidated financial statements and the interim group management report were authorized for issue by the executive board on 9 August 2018. They were discussed with the supervisory board’s audit committee before publication.

Furthermore, the half-yearly financial report was reviewed by the group auditor of Porsche SE, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as defined by Sec. 115 WpHG.

Scope of consolidation

The interim condensed consolidated financial statements of Porsche SE for the first half of 2018 include by means of full consolidation all entities controlled by Porsche SE, i.e., where Porsche SE is exposed, or has rights, to variable returns from its involvement and has the ability to use power over the investee to affect the amount of such returns. A company is no longer consolidated upon loss of control.

Companies where Porsche SE is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates) are accounted for at equity.

The scope of consolidation did not change in the reporting period. For further information, please refer to the consolidated financial statements of Porsche SE as of 31 December 2017 in the section “List of shareholdings of the group as of 31 December 2017”.

New accounting standards

IFRS 9 “Financial Instruments”

IFRS 9 changes the accounting requirements on the classification, measurement and impairment of financial instruments as well as hedge accounting.

The classification and measurement of financial assets are determined using the existing business model as well as the characteristics of the cash flows. Upon initial recognition, a financial asset is classified as either “at amortized cost”, as “at fair value through other comprehensive income” or as “at fair value through profit or loss”. The classification and measurement of financial liabilities under IFRS 9 are largely unchanged compared to the previous accounting requirements under IAS 39.

The model used to determine impairment losses and to recognize loss allowances switches from the incurred loss model to the expected credit loss model.

In the case of hedge accounting, there are both extensions of designation options as well as the need to implement more complex recognition and measurement methods. IFRS 9 also eliminates the quantitative limits for effectiveness testing.

Due to the retrospective application of the guidance on designating options at the level of the associates, the prior-year figures were adjusted. This resulted in a negative effect on the result from the investments accounted for at equity of €37 million in the first half of the fiscal year 2017; other comprehensive income increased accordingly. At the level of Porsche SE and its subsidiaries, this did not have any significant impact on the presentation of the group’s net assets, financial position and results of operations.

The table below shows the significant effects of the new accounting requirements from IFRS 9 and IFRS 15 on the consolidated balance sheet.

€ million	Before adjustment	Adjustment due to IFRS 9	After adjustment
1/1/2017			
Consolidated balance sheet			
Other retained earnings	24,737	18	24,755
Reserve for investments accounted for at equity	−2,033	−18	−2,051

€ million	Before adjustment	Adjustment due to IFRS 9 and IFRS 15	After adjustment
1/1/2018			
Consolidated balance sheet			
Investments accounted for at equity	30,354	−119	30,235
Other retained earnings	27,739	−86	27,653
Reserve for investments accounted for at equity	−1,520	−33	−1,553
Deferred tax liabilities	84	-1	83

The reconciliation of the measurement categories and carrying amounts of the financial assets and liabilities from IAS 39 to IFRS 9 is presented as follows:

€ million	Measurement category under IAS 39	Measurement category under IFRS 9	31/12/2017 Carrying amount under IAS 39	1/1/2018 Carrying amount under IFRS 9
Assets				
Other non-current financial assets	AfS	measured at fair value through profit or loss	7	7
Other non-current financial assets	LaR	amortized cost	0	0
Trade receivables	LaR	amortized cost	18	18
Other current financial assets	LaR	amortized cost	4	4
Other current financial assets	FVtPL	measured at fair value through profit or loss	1	1
Securities	FVtPL	measured at fair value through profit or loss	185	185
Securities	LaR	amortized cost	0	0
Time deposits	LaR	amortized cost	101	101
Cash and cash equivalents	LaR	amortized cost	664	664
Liabilities				
Non-current financial liabilities	FLAC	amortized cost	12	12
Other non-current financial liabilities	FLAC	amortized cost	2	2
Other non-current financial liabilities	FVtPL*	measured at fair value through profit or loss	3	3
Trade payables	FLAC	amortized cost	5	5
Current financial liabilities	FLAC	amortized cost	1	1
Other current financial liabilities	FLAC	amortized cost	18	18
Other current financial liabilities	FVtPL	measured at fair value through profit or loss	1	1

AfS: Available-for-sale financial assets
LaR: Loans and receivables
FVtPL: Financial instruments at fair value through profit or loss
FVtPL*: Contingent consideration at fair value through profit or loss
FLAC: Financial liabilities at cost

IFRS 15 “Revenue from Contracts with Customers”
IFRS 15 sets forth regulations about when and in what amount revenue is recognized. In addition, it requires more extensive disclosures on revenue recognition than before. At the level of Porsche SE and its subsidiaries, this does not have any impact on the group’s net assets, financial position and results of operations as of 1 January.

At the level of the associates, there are also no significant transition effects as of 1 January 2018 as the previous procedure was already to a large extent in line with the new regulations. The effects at associates mainly result in an increase in total assets as well as in changes to the presentation in the income statement. As a result, there are no significant transition effects on the equity accounting within the consolidated financial statements of Porsche SE.

Other accounting policies
Otherwise, the same accounting policies and consolidation principles have generally been used to prepare the interim consolidated financial statements as those used in the consolidated financial statements as of 31 December 2017. A detailed description of these methods is published in the notes to the consolidated financial statements in the “Accounting policies” section. Moreover, the effects of new standards are described in more detail under the section “New accounting standards”.

Significant estimation uncertainties and accounting judgments

The information presented in the section “Accounting estimates and judgments of the management” in the 2017 consolidated financial statements remains unchanged. For the issues below, the following new developments and findings arose in the first half of 2018:

Diesel issue at the level of the Volkswagen Group
On 18 September 2015, the US 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 of Volkswagen Group with type 2.0 l diesel engines in the USA. This was followed by further reports on the scope of the diesel issue. Detailed information can be found in the 2017 consolidated financial statements of Porsche SE in the section “Accounting estimates and judgments of the management”.

In the first half of the fiscal year 2018, additional expenses of €1.6 billion for legal risks had to be recognized in this connection at the level of the Volkswagen Group. The main reasons for the expenses are the €1.0 billion penalty imposed by the Braunschweig public prosecutor in connection with the diesel issue as well as higher legal defense costs. Apart from the above, there were no factors with any material effect on the interim condensed consolidated financial statements in the reporting period, including the publications released up to the reporting date or the continuing investigations and interviews in connection with the diesel issue and other significant litigation at the level of the Volkswagen Group. With regard to the legal proceedings at the level of the Volkswagen Group resulting from the diesel issue, please refer to the explanations in the “Opportunities and risks at the Volkswagen Group” section in the interim group management report.

Legal disputes
For new developments with regard to legal disputes, please refer to the section “Significant events and developments at the Porsche SE Group” in the interim group management report. The amount of the provisions for litigation costs recognized continues to correspond to the respective attorneys’ fees and litigation expenses anticipated in this connection.

New findings and developments with regard to the diesel issue and legal proceedings could have an effect on the net assets, financial position and results of operations of the Porsche SE Group.

Notes to the consolidated income statement

[1] Revenue

Revenue primarily relates to the ITS segment (see note [7]) and breaks down by main category as follows:

€ million	1st half of 2018	1st half of 2017
Licenses	14	
Maintenance	13	
Projects	12	
Hosting	7	
Others	0	0
	47	**0**

[2] Result from investments accounted for at equity

The result from investments accounted for at equity breaks down as follows:

€ million	1st half of 2018	1st half of 2017
Result from ongoing equity accounting before purchase price allocation	1,982	1,958[1]
Effects from purchase price allocation	−43	−46
	1,939	**1,912**

1 The prior-year figures were adjusted due to the first-time application of IFRS 9 (see section "New accounting standards").

The result from investments accounted for at equity relates almost exclusively to the profit contribution from the investment in Volkswagen AG.

[3] Earnings per share

		1st half of 2018	1st half of 2017
Result for the period	€ million	1,904	1,866[1]
Result attributable to non-controlling interests	€ million	0	0
Result attributable to shareholders of Porsche Automobil Holding SE	€ million	1,904	1,866[1]
Earnings per ordinary share (basic and diluted)	€ million	951.7	932.6
Earnings per preference share (basic and diluted)	€ million	952.7	933.5
Average number of ordinary shares outstanding	Number	153,125,000	153,125,000
Average number of preference shares outstanding	Number	153,125,000	153,125,000
Earnings per ordinary share (basic and diluted)	€	6.22	6.09[1]
Earnings per preference share (basic and diluted)	€	6.22	6.10[1]

[1] The prior-year figures were adjusted due to the first-time application of IFRS 9 (see section “New accounting standards”).

Earnings per share are calculated by dividing the result attributable to the shareholders of Porsche SE by the weighted average number of shares outstanding in the first half of the year. The additional dividend of 0.6 cents per share to which the preference shares are entitled was deducted when calculating earnings per share for ordinary shares.

No measures resulting in dilutive effects were taken.

[4] Equity

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

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

On 15 May 2018, the annual general meeting of Porsche SE resolved to distribute a dividend of €1.754 (€1.004) per ordinary share and €1.760 (€1.010) per preference share for the fiscal year 2017. As a result, a total of €538,081,250.00 (€308,393,750.00) was distributed.

[5] Other provisions

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

			30/6/2018			31/12/2017
€ million	Current	Non-current	Total	Current	Non-current	Total
Provisions for bonuses and personnel costs	3	0	3	5	0	5
Provisions for costs of litigation	9	14	23	10	17	27
Sundry other provisions	57	2	58	65	2	67
	68	**16**	**85**	**80**	**19**	**98**

Other notes

[6] Disclosures on financial instruments

Financial instruments measured at fair value through profit or loss comprise non-current other financial assets, securities, contingent consideration as well as derivatives for which hedge accounting is not applied.

The allocation of fair value to the various hierarchy levels is based on the availability of observable market data on an active market. Level 1 presents the fair values of financial instruments where a market price on active markets can be determined. Level 2 presents the fair value of financial instruments for which market data are directly or indirectly observable. In particular, interest rate curves, index values and exchange rates are used as key parameters. The presented fair values of the assets are determined using pricing methods, present value methods or the net asset value approach. The reported fair values of the financial liabilities are determined using the parameters by means of discounted cash flow calculations or Black-Scholes models. Fair values of financial instruments in level 3 are calculated using inputs that are not based on observable market data.

Transfers between the levels are taken into account on the respective reporting dates.

The following overview contains the breakdown of the financial instruments accounted for at fair value through profit or loss by level:

€ million	**30/6/2018**	Level 1	Level 2	Level 3
Financial instruments at fair value through profit or loss				
Other non-current financial assets	9			9
Other current financial assets	1	0	0	
Securities	190	56	134	
Other non-current financial liabilities	3			3
Other current financial liabilities	1	0	0	

€ million	31/12/2017	Level 1	Level 2	Level 3
Financial instruments at fair value through profit or loss				
Other non-current financial assets	7			7
Other current financial assets	1	0	0	
Securities	185	72	113	
Other non-current financial liabilities	3			3
Other current financial liabilities	1	0	0	

The carrying amounts of the current other financial assets and liabilities were partly allocated to level 1, partly to level 2. This cannot be seen in the table due to rounding.

Due to changes in the selection of price sources in the fiscal year 2018, transfers from level 1 to level 2 of €13 million and from level 2 to level 1 of €8 million were performed for securities.

The fair value of other financial liabilities, which was allocated to level 3, is due to an earn-out obligation which was recognized as contingent consideration as part of the acquisition of the PTV Group (see the explanations in the consolidated financial statements as of 31 December 2017 in the section “List of shareholdings of the group as of 31 December 2017”).

For all financial instruments, the fair values correspond to the carrying amount.

[7] Segment reporting

Since the acquisition of the PTV Group in the second half of 2017, the Porsche SE Group has distinguished between two segments. The first segment, “PSE”, comprises Porsche SE’s holding operations and contains the investments in VW and INRIX accounted for at equity as well as the fully consolidated special fund and additional investments. The second segment, “Intelligent Transport Systems” (“ITS”), comprises the development of smart software solutions for transport logistics as well as traffic planning and traffic management. The entire executive board of the Porsche SE Group monitors the result for the period of the segments and, on this basis, decides on how to allocate resources and assesses their earnings power.

As the two segments exceed the quantitative thresholds prescribed by IFRS 8, they are subject to separate reporting. Combining the two segments pursuant to IFRS 8.12 is not possible due to a lack of comparable economic characteristics.

€ million	PSE	ITS	Total segments	Reconciliation	**Group 30/6/2018**
Third party revenue	0	47	47	0	47
Amortization and depreciation	0	-8	-8		-8
Result from investments accounted for at equity	1,939		1,939		1,939
Segment result (operating result)	1,922	–12	1,910		1,910
Finance costs	-1	0	-1		-1
Other financial result	0	0	0		0
Result before tax	1,920	–12	1,908		1,908
Income tax	-5	1	-4		-4
Result for the period	1,916	–11	1,904		1,904
Non-cash expenses (–) and income (+)	1,939	-1	1,939		1,939
Segment assets	32,320	395	32,715	–312	32,403
thereof from investments accounted for at equity	31,035		31,035		31,035
thereof additions to non-current assets[1]	0	1	1		1
Segment liabilities	188	95	283		283

[1] With the exception of non-current other financial assets, deferred tax assets, post-employment benefits and rights from insurance contracts.

By regions:

€ million	Germany	Rest of Europe	North America	Asia	Other markets	**Total 30/6/2018**
Third party revenue	19	20	3	5	1	47
Non-current assets[1]	31,366	4	0	0	0	31,370

[1] With the exception of financial instruments, deferred tax assets, post-employment benefits and rights from insurance contracts.

[8] German Corporate Governance Code

The declaration of the executive board and supervisory board of Porsche SE on the German Corporate German Corporate Governance Code required by Sec. 161 AktG [“Aktiengesetz”: German Stock Corporation Act] was updated in May 2018 and is accessible on the website www.porsche-se.com.

[9] Legal disputes

For new developments with regard to legal disputes, please refer to the section “Significant events and developments at the Porsche SE Group” in the interim group management report.

[10] Related parties

Reportable transactions with related parties in the reporting period were exclusively with associates. Income includes the dividend received from Volkswagen AG of €601 million (€308 million). Receivables include cash and cash equivalents and time deposits at Volkswagen Bank at arm's length totaling €114 million (€0 million).

Related parties

€ million	Income		Expenses	
	1st half of 2018	1st half of 2017	**1st half of 2018**	1st half of 2017
Associates	601	308	2	11
	601	**308**	**2**	**11**

€ million	Receivables		Liabilities	
	30/6/2018	31/12/2017	**30/6/2018**	31/12/2017
Associates	115	0	9	14
	115	**0**	**9**	**14**

[11] Subsequent events

With the exception of the developments presented in the interim group management report in the section “Significant events and developments at the Porsche SE Group” in July 2018, there were no other reportable events after 30 June 2018.

Stuttgart, 9 August 2018

Porsche Automobil Holding SE

The executive board

Hans Dieter Pötsch	Dr. Manfred Döss	Philipp von Hagen

Responsibility statement

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

Stuttgart, 9 August 2018

Porsche Automobil Holding SE

The executive board

Hans Dieter Pötsch | Dr. Manfred Döss | Philipp von Hagen

Review report

To Porsche Automobil Holding SE

We have reviewed the interim condensed consolidated financial statements, prepared by Porsche Automobil Holding SE, Stuttgart (“Porsche SE”), comprising the condensed balance sheet, the condensed income statement, the condensed statement of comprehensive income, the condensed statement of cash flows, the condensed statement of changes in equity and selected explanatory notes to the financial statements, and the interim group management report for the period from 1 January 2018 to 30 June 2018, which are part of the half-yearly financial report pursuant to Sec. 115 WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim management reports is the responsibility of the company’s management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

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

Without qualifying this conclusion, we refer to the explanations of the executive directors, including in the sections “Significant events and developments at the Porsche SE Group” and “Significant events and developments at the Volkswagen Group” as well as in the section “Opportunities and risks of future development” in the interim group management report, which explain that Porsche SE, as the majority shareholder of Volkswagen AG, Wolfsburg (“VW AG”), continues to be affected by the diesel issue, mainly through its result from investments accounted for at equity as well as due to the development of the proportional market capitalization of the preference and ordinary shares.

With regard to the investment in VW AG, the executive directors of Porsche SE see the increased risk that due to the diesel issue, the company will be subject to further burdens on the proportionate result attributable to it as part of equity accounting. These burdens could result in particular from new findings regarding the amount of the risk provisioning recognized in the interim consolidated financial statements of VW AG, or the effects of the diesel issue on the operating business and/or the financing costs of the Volkswagen Group which may exceed the extent assumed in the planning. As the impairment test of the investment in VW AG is based on the current planning of the Volkswagen Group, unexpected additional burdens incurred to mitigate the diesel issue could result in an impairment loss for the investment in VW AG.

The provisions for legal risks in connection with the diesel issue recognized in the interim consolidated financial statements of VW AG as of 30 June 2018 are based on the information of the executive directors of VW AG presented, including the explanations on the allegations that have recently come to light involving two subsidiaries of VW AG regarding suspicion of fraud and illegal advertising as well as suspicion of fraud in connection with the sale of diesel vehicles on the European market in the period after fall 2015. According to estimates by the executive directors of VW AG, the provisions recognized for this matter and the contingent liabilities disclosed as well as the other latent legal risks are partially subject to considerable uncertainty given the complexity of the individual factors, the ongoing approval process with the authorities and the fact that the independent, comprehensive investigations have not yet been completed.

Legal risks from claims brought against Porsche SE in connection with the diesel issue may also have an effect on Porsche SE’s results of operations, financial position and net assets.

Stuttgart, 9 August 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Meyer	Koch
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Financial calendar

20 November 2018
Group quarterly statement 3rd Quarter 2018

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

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