PORSCHE SE

Half-yearly financial report

1 January – 30 June

2017

Investments of Porsche SE

PORSCHE SE

Core Investment

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

VOLKSWAGEN
AKTIENGESELLSCHAFT

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

VOLKSWAGEN FINANCIAL SERVICES
AKTIENGESELLSCHAFT

Further Investment

Share of total capital: ~ 10 %

INRIX

Status 30 June 2017

1 January – 30 June

2017

Content

Interim group management report

1 January – 30 June 2017

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 2017, the Porsche SE Group had 32 employees (31 December 2016: 30 employees).

Porsche SE is a holding company. In particular, it holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft, Wolfsburg ("Volkswagen AG" or "Volkswagen"), one of the leading automobile manufacturers in the world. The Volkswagen Group comprises twelve brands from seven European countries: Volkswagen passenger cars, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen commercial vehicles, Scania and MAN. In addition, Porsche SE holds shares in the US technology company INRIX Inc., Kirkland, Washington, USA ("INRIX"). INRIX is a world leader in the field of connected-car services and real-time traffic information. Furthermore, the Porsche SE Group purchased the majority of shares in PTV Planung Transport Verkehr AG, Karlsruhe. Execution of the transaction is still subject to a condition precedent and is expected in the third quarter of 2017.

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

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

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

Significant events and developments 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 2017, unless reference is made in this section to another time period.

Porsche SE purchases leading software provider for traffic planning and transport logistics

On 7 June 2017, a wholly owned subsidiary of Porsche Automobil Holding SE, Porsche Zweite Beteiligung GmbH, Stuttgart, purchased around 97% of shares in PTV Planung Transport Verkehr AG, Karlsruhe. The company is a leading provider of software for traffic planning and management as well as transport logistics. The purchase price is around €300 million, subject to any purchase price adjustments. The merger control approvals were granted on 23 June 2017 and as of 13 July 2017. Execution of the transaction is still subject to a condition precedent and is expected in the third quarter of 2017.

The software company, based in Karlsruhe, has around 700 employees at 20 locations worldwide. PTV Group software is installed in more than 120 countries. Revenue of the PTV Group came to €93 million in the fiscal year 2015/16 (31 March 2016).

The company develops smart software solutions for traffic planning and management as well as transport logistics. PTV Group solutions are used by more than 2,500 cities. More than one million logistics vehicle trips per day are planned using PTV software. The software solutions of the PTV Group help cities and companies save time and money, enhance road safety and reduce the impact on the environment.

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 with Volkswagen Group diesel engines. Consequently, authorities in their respective jurisdictions worldwide commenced their own investigations (“diesel issue”). As the majority shareholder, Porsche SE continues to be affected by this issue, particularly with regard to its profit/loss from investments accounted for at equity. Furthermore, the proportional market capitalization of its investment in Volkswagen AG is influenced by the resulting development of the price of Volkswagen ordinary and preference shares. Despite the proportional market capitalization being below the carrying amount as of 30 June 2017, there is no need to recognize an impairment loss on the basis of the earnings forecasts for the carrying amount of the investment in Volkswagen AG accounted for at equity. However, a further increase in the costs of mitigating the diesel issue might still lead to an impairment in the value of the investment. Ultimately, there could also 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 can likewise have an effect on Porsche SE's results of operations, financial position and net assets. For details of this matter, we refer to the explanations of the significant events and developments at the Volkswagen Group, to the explanations on the results of operations, financial position and net assets and to the "Outlook" section in the group management report and management report in the annual report of Porsche SE for the fiscal year 2016. 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 in the Porsche-Arena and Hanns-Martin-Schleyer-Halle in Stuttgart on 30 May 2017. More than 4,000 shareholders attended. The distribution of a dividend of €1.01 per share to holders of preference shares and €1.004 per share to holders of ordinary shares was approved for the fiscal year 2016, and thus remained unchanged on the prior year. The amount distributed therefore again totaled €308,393,750 for the fiscal year 2016. The executive board and supervisory board were exonerated.

On 1 February 2017, the executive board and the SE works council of Porsche Automobil Holding SE concluded an agreement on the suspension of co-determination and employee involvement at Porsche Automobil Holding SE ("suspension agreement"). Since the end of the 2017 annual general meeting, the company's supervisory board has comprised six supervisory board members representing the capital side.

At the constituent supervisory board meeting of Porsche SE held directly after the annual general meeting, Dr. Wolfgang Porsche was reelected chairman of the supervisory board. Dr. Hans Michel Piëch was elected as his deputy.

The annual general meeting also resolved to adjust the company's articles of association to bring them in line with the new co-determination agreement. The corresponding amendments to the articles of association were entered in the commercial register and are therefore effective.

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

For several years, Porsche SE has been involved in various legal proceedings. The main developments of the legal proceedings up to the date when the half-yearly financial report was authorized for issue 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 in total 83 of the establishment objectives asserted by the plaintiffs to the Higher Regional Court of Celle. On 11 May 2016 the Regional Court of Hanover suspended all six proceedings pending before it against Porsche SE up until a final decision about the establishment objectives in the model case before the Higher Regional Court of Celle. 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 14 additional establishment objectives. Furthermore, the Higher Regional Court of Celle scheduled several trial dates in the time period from October to November 2017. 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.

Furthermore the following proceedings in connection with the alleged market manipulation 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 of the supervisory board of Porsche SE before the Regional Court of Frankfurt am Main in September 2013. Porsche SE joined the proceeding as intervener in support of the two supervisory board members. A trial date for hearing the case took place on 30 April 2015. By interim judgment dated 21 May 2015, the court assigned six of the seven plaintiffs to provide a security for costs for the legal procedures. Porsche SE considers these claims to be without merit.

On 7 June 2012, Porsche SE filed an action against two companies of an investment fund for declaratory judgment with the Regional Court of Stuttgart that alleged claims in the amount of around US$195 million do not exist. The investment fund had asserted out-of-court that Porsche SE had made false and misleading statements in connection with its acquisition of a stake in Volkswagen AG during 2008. Therefore the investment fund announced that it intended to file the alleged claim before a court in England. On 18 June 2012, the investment fund filed an action against Porsche SE with the Commercial Court in England. On 6 March 2013, the English proceedings were suspended at the request of both parties until a final decision had been reached in the proceedings begun at the Regional Court of Stuttgart concerning the question of which court is the court first seized. On 24 July 2013, the Regional Court of Stuttgart decided that the Regional Court of Stuttgart is the court first seized. This decision of the Regional Court of Stuttgart was appealed by way of an immediate appeal by one of the defendants. By decision dated 28 November 2013, the Regional Court of Stuttgart did not allow the appeal and submitted the appeal to the Higher Regional Court of Stuttgart for a decision. By decision dated 30 January 2015, the Higher Regional Court of Stuttgart dismissed the immediate appeal. The defendant has filed an appeal on points of law to the Federal Court of Justice. By decision dated 13 September 2016, served on 16 November 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) were 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 have been 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 section “The diesel issue” in the section “Significant events and developments at the Volkswagen Group” in the group management report and management report in the annual report of Porsche SE for the fiscal year 2016) the following claims have been asserted against Porsche SE:

Since April 2016 a total of 185 proceedings have been initiated against Porsche SE before the Regional Court of Stuttgart. The actions concern damages in an amount totaling, if and to the extent the claims were quantified, about €934 million (plus interest) and in part establishment of liability for damages. The plaintiffs accuse Porsche SE of alleged nonfeasance of capital market information in connection with the diesel issue. A part of the actions are directed against both Porsche SE and Volkswagen AG. Volkswagen AG filed in relation to one of these actions an application with the Higher Regional Court of Braunschweig to determine the Regional Court of Braunschweig as the competent court. In April 2017, the Higher Regional Court of Braunschweig transferred the proceedings to determine the competent court to the competent Higher Regional Court of Stuttgart. A part of the plaintiffs in the proceedings pending before the Regional Court of Stuttgart 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. 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 order of reference issued by the Regional Court of Stuttgart. Eleven actions have been partially suspended by the Regional Court of Stuttgart with orders of the beginning of May and mid-June 2017 with reference to its order of reference and, to the extent the Regional Court of Stuttgart did not suspend the actions, it suggested a withdrawal of the action. 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. The actions are directed against both Porsche SE and Volkswagen AG. The actions are based on alleged claims for damages because of nonfeasance of immediate publication of insider information. The actions aim for claims for damages against Porsche SE in the amount of about €170,000. Volkswagen AG filed in relation to five actions an application with the Higher Regional Court of Braunschweig to determine the Regional Court of Braunschweig as the competent court. In relation to four proceedings also the plaintiffs filed similar applications to determine the competent court with the Higher Regional Court of Braunschweig. The plaintiffs in four actions have applied for suspension of the proceeding with reference to the KapMuG-based order of reference issued by the Regional Court of Braunschweig. The plaintiffs in three actions consented to this motion for suspension. By decision dated 1 December 2016 the Regional Court of Braunschweig suspended one of the proceedings with respect to Volkswagen AG with reference to the order of reference issued by the Regional Court of Braunschweig. The Regional Court of Braunschweig will have to decide whether it considers itself competent for the proceedings with respect to Porsche SE and whether the proceedings with respect to Porsche SE will then have to be suspended with reference to the order of reference issued by the Regional Court of Braunschweig or the order of reference issued by the Regional Court of Stuttgart. Porsche SE considers these claims to be inadmissible and to be without merit.

In November 2015, a purchaser of a Volkswagen and an Audi 3.0 l TDI diesel vehicle filed a class action lawsuit in the US District Court for the Eastern District of Michigan against, among others, Volkswagen AG and Porsche SE. The plaintiff alleges that the defendants fraudulently induced U.S. customers to purchase Volkswagen, Audi and Porsche 2.0 l TDI and 3.0 l TDI diesel vehicles that contain illegal defeat devices. This plaintiff's claims against Porsche SE have been resolved.

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, 50 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 the fiscal year 2013 as well as the resolution to refuse the motion to vote out the chairman of the general meeting. As a precautionary measure, the shareholder additionally filed an action for determination that a shareholders' resolution has been adopted regarding the motion to vote out the chairman of the general meeting. An oral hearing was held on 22 March 2016 at the Regional Court of Stuttgart. By decision of 28 October 2016 the Regional Court of Stuttgart dismissed the actions. The plaintiff has appealed this decision. 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 the fiscal year 2015. A date for an oral hearing has been scheduled for 5 December 2017. Porsche SE considers the action to be without merit.

In addition, the same shareholder claims a right to information against Porsche SE before the Regional Court of Stuttgart. With this motion, the disclosure of questions allegedly asked at the annual general meeting on 29 June 2016 is demanded. A date for an oral hearing has been scheduled for 5 December 2017. 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 2017, there were the following significant events and developments at the Volkswagen Group:

Diesel issue

UK Vehicle Certification Agency approves technical solutions
During the second quarter of 2017, the Vehicle Certification Agency in the United Kingdom issued the outstanding official approvals needed for technical solutions to modify the ŠKODA and SEAT models falling within its remit. The technical solutions for all vehicles in the European Union were thereby approved without exception.

Partnerships

In June 2017, Volkswagen agreed on a new joint venture for e-mobility in China with the Chinese car manufacturer Anhui Jianghuai Automobile (JAC). The two partners each have a 50% stake in the new company, which plans to develop, produce and sell electric vehicles and mobility services. The agreement includes the construction of a further factory and a research and development center for this purpose. The partnership also comprises the development and production of components for New Energy Vehicles (NEV) as well as the enhancement of vehicle connectivity and automotive services. In addition, the establishment of new used-car platforms and all associated business activities is planned.

AUDI AG, the FAW Group and FAW-Volkswagen have signed an agreement on the future development of the Audi business in China with the Chinese Audi dealer council. The agreement with the dealers incorporates the interests of the existing sales network into the premium brand's new two-pillar strategy in China. All parties agreed that Audi models from the planned partnership between Audi and SAIC Motor would be sold through the brand's existing dealer network in China. A new sales management structure was defined on the basis of the legal requirements. This will ensure a unified market presence for the brand's own products originating from the cooperation between the two partners. Audi and long-standing Volkswagen partner SAIC are in the process of evaluating a partnership for the production and sale of Audi models and for data and mobility services. This strategic course is intended to further develop the China business profitably for all parties involved.

At the end of June 2017, Volkswagen agreed on a strategic partnership with US technology firm NVIDIA. The aim is to expand expertise in deep learning – a field of machine learning. Advanced systems based on artificial intelligence (AI) will be developed using deep learning at the Volkswagen Data:Lab. The projects include, among other things, AI in corporate processes and mobility services.

Business development

The following statements in this section on deliveries, sales, production and employees take into consideration operating developments at the Volkswagen Group in the first half of 2017. 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.

General economic development

The global economy saw moderate growth in the first half of 2017. The average expansion rate of gross domestic product (GDP) was up year-on-year in both the industrialized countries and the emerging market economies. Energy and commodity prices, which increased again at the beginning of the year, giving a boost to the economies of individual exporting countries that depend on them, weakened slightly in the course of the second quarter.

Trends in the passenger car markets

Worldwide demand for passenger cars was up 2.7% in the period from January to June 2017 compared with the prior-year period. Growth was driven by the Asia-Pacific region, Western Europe, South America and Central and Eastern Europe. The number of new cars sold in North America, the Middle East and Africa declined.

Trends in the markets for commercial vehicles

Global demand for light commercial vehicles was down on the prior-year level in the first half of 2017. 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 between January and June 2017. Demand for buses in the markets that are relevant for the Volkswagen Group was distinctly up on the prior year in the period from January to June 2017.

Employees in the Volkswagen Group

At the end of the first half of 2017, the Volkswagen Group had a total of 625,796 employees worldwide, on a level with the 31 December 2016 figure. The production-related expansion, the recruitment of specialists within and outside Germany and the expansion of the workforce in the new plants in Mexico, China and Poland were offset by the reduction of around 9,800 employees as a result of the disposal of part of the PGA Group SAS. At 282,679, the number of employees in Germany was up 0.4% on year-end 2016. The proportion of employees in Germany was slightly higher than on 31 December 2016 at 45.2% (prior year: 44.9%).

Sales and production in the Volkswagen Group

In the first half of 2017, the Volkswagen Group’s unit sales to the dealer organization (including the Chinese joint ventures) rose by 1.4% to 5,270,402 vehicles, in particular on the back of higher demand in Europe and South America. The Volkswagen Group produced a total of 5,433,123 vehicles in the period from January to June 2017, an increase of 3.1% year-on-year. Production in Germany declined by 3.8% to 1,351,856 units. The proportion of vehicles produced in Germany decreased to 24.9% (first half of 2016: 26.7%).

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

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

	2017	2016	Change %
Regions			
Europe/Other markets	2,459,660	2,406,957	2.2
North America	461,414	444,136	3.9
South America	248,349	222,959	11.4
Asia-Pacific	1,986,168	2,041,863	−2.7
Worldwide	**5,155,591**	**5,115,915**	**0.8**
by brands			
Volkswagen passenger cars	2,935,146	2,924,919	0.3
Audi	908,955	953,293	−4.7
ŠKODA	585,013	569,353	2.8
SEAT	246,493	216,843	13.7
Bentley	5,238	4,011	30.6
Lamborghini	2,091	2,013	3.9
Porsche	126,497	117,963	7.2
Bugatti	20	-	-
Volkswagen commercial vehicles	249,807	237,879	5.0
Scania	43,608	40,310	8.2
MAN	52,723	49,331	6.9

1 Deliveries for 2016 have been updated to reflect subsequent statistical trends. Includes the Chinese joint ventures.

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

In the following explanations, the significant results of operations as well as the financial position and net assets for the first six months of the fiscal year 2017 or as of 30 June 2017 are compared to the corresponding comparative figures for the period from 1 January to 30 June 2016 (results of operations and financial position) and as of 31 December 2016 (financial position and net assets).

Results of operations

In the first half of 2017, the Porsche SE Group recorded a profit/loss for the period of €1,903 million (first half of 2016: €980 million). This was mainly attributable to the profit/loss from the investment in Volkswagen AG accounted for at equity of €1,950 million (first half of 2016: €1,014 million).

Other operating expenses increased by €3 million to €18 million in the first half of 2017 due to higher legal and consulting fees.

Profit/loss from investments accounted for at equity increased by €937 million to €1,949 million. It contained profit contributions from ongoing equity accounting of €1,995 million (first half of 2016: €1,068 million) as well as subsequent effects from purchase price allocations of minus €46 million (first half of 2016: minus €56 million).

The financial result of minus €9 million was at the prior-year level and primarily resulted from interest expenses of €10 million for the existing financial liabilities due by mid-June 2017 (first half of 2016: €10 million).

Profit before tax comes to €1,917 million (first half of 2016: €982 million). As a result of the change in deferred taxes, there was a tax expense of €14 million in the reporting period (first half of 2016: €2 million).

Financial position

Cash flow from operating activities improved to €271 million in the first half of 2017 (first half of 2016: minus €75 million). The increase is primarily attributable to higher dividends received from the investment in Volkswagen AG of €308 million.

In the first six months of the fiscal year 2017, there was a cash inflow of €457 million from investing activities (first half of 2016: €348 million). This resulted from a reduction of investments in securities of €28 million (first half of 2016: €508 million) and of time deposits of €429 million (first half of 2016: cash outflow from the increase in the amount of time deposits of €160 million).

There was a cash outflow for financing activities of €608 million in the first half of 2017 (first half of 2016: €308 million). This is attributable to the dividend payment to the shareholders of Porsche SE of €308 million as well as the full repayment of a loan to the Volkswagen Group of €300 million.

Cash funds therefore increased by a total of €120 million compared to 31 December 2016 to €768 million.

Gross liquidity, i.e., cash and cash equivalents, time deposits and securities decreased by €336 million to €1,263 million. As a result of repaying the financial liabilities in full in the first half of 2017, net liquidity as of 30 June 2017 matched gross liquidity.

Net assets

The Porsche SE Group's total assets increased by €1,930 million compared to 31 December 2016 to €30,295 million.

The non-current assets of the Porsche SE Group as of 30 June 2017 totaling €29,028 million (31 December 2016: €26,761 million) related almost exclusively to the investments accounted for at equity. These included in particular the carrying amount of the investment in Volkswagen AG accounted for at equity, which increased by €2,267 million to €29,006 million. This increase was mainly due to the profit/loss from investments accounted for at equity of €1,950 million as well as effects recognized directly in equity totaling €625 million. This was countered by dividend payments received amounting to €308 million. The investments accounted for at equity also include the carrying amount of the investment in INRIX of €20 million.

Current assets decreased by €337 million to €1,267 million and mainly consist of cash and cash equivalents, time deposits and securities of Porsche SE and its subsidiaries.

As of 30 June 2017, the equity of the Porsche SE Group increased to a total of €30,114 million (31 December 2016: €27,894 million) due to the group profit for the period and to expenses and income recognized directly in equity. The equity ratio increased from 98.3% at the end of the fiscal year 2016 to 99.4% as of 30 June 2017.

Non-current and current provisions decreased by €5 million to €118 million. This decrease is mainly due to lower provisions for bonuses and personnel costs.

The prior-year financial liabilities of €300 million in total related to a loan due to the Volkswagen Group. This was repaid in full as of 18 June 2017.

Related parties

With regard to significant transactions with related parties, reference is made to the note [18] to the interim condensed consolidated financial statements.

Results of operations of the significant investment

The following statements relate to the original profit/loss figures of the Volkswagen Group in the first half of the fiscal year 2017. This means that effects from inclusion in the consolidated financial statements of Porsche SE, particularly relating to the subsequent measurement of the hidden reserves and liabilities identified in the course of the purchase price allocations, as well as from applying uniform group accounting policies, are not taken into consideration.

The Volkswagen Group generated revenue of €115,862 million in the first half of 2017, thus exceeding the prior-year figure by €7,927 million. In particular, volume effects and the good performance of the financial services division made a positive contribution. Revenue generated abroad accounted for a share of 80.1% (first half of 2016: 79.0%).

Less cost of sales, gross profit in the reporting period amounted to €23,244 million, up €2,099 million on the prior-year figure which had been negatively affected by special items. The gross margin amounted to 20.1% (first half of 2016: 19.6%; before special items 20.3%).

In the period from January to June 2017, the Volkswagen Group's operating profit improved by €3,577 million to €8,916 million driven primarily by improvements in volumes, the mix and margins, as well as positive exchange rate trends and product cost optimization. In the prior-year period, this item had also included negative special items totaling minus €2,178 million. The Volkswagen Group's operating return on sales rose to 7.7% in the reporting period (first half of 2016: 4.9%). In the prior year, the operating profit before special items had amounted to €7,517 million, and the operating return on sales before special items was 7.0%.

At €44 million, the financial result was slightly positive, up €572 million on the prior-year period. The rise was mainly attributable to lower finance costs due to remeasurement and lower expenses from the measurement of derivative financial instruments on the reporting date. The share of profit and losses from investments accounted for at equity was slightly down on the prior-year figure. It includes the proportionate result of the Chinese joint ventures, which was on a par with the prior-year period, as well as gains from the remeasurement of the shares in HERE following investment by additional investors. In the prior-year period, the income from the sale of the LeasePlan shares had had a positive impact.

The Volkswagen Group's profit before tax rose by €4,150 million year-on-year to €8,960 million. Profit after tax increased by €3,016 million to €6,595 million.

Opportunities and risks of future development

Opportunities and risks at Porsche SE

The report on opportunities and risks at Porsche SE in the group management report and management report of Porsche SE for the fiscal year 2016 must be updated as of 30 June 2017 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.

Opportunities and risks at the Volkswagen Group

On 10 March 2017, Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates entered into a settlement agreement resolving the environmental claims of ten states – Connecticut, Delaware, Maine, Massachusetts, New York, Oregon, Pennsylvania, Rhode Island, Vermont and Washington – for an amount of US$157 million.

On 24 March 2017, the United States filed a motion for entry of the second partial consent decree, which had been agreed to between Volkswagen and the Department of Justice (DOJ), the US Environmental Protection Agency (EPA), the US environmental authority of California – the California Air Resources Board (CARB) – and the California Attorney General on 20 December 2016 that resolved claims for injunctive relief under the US Clean Air Act and California environmental, consumer protection and false advertising laws related to the 3.0 l TDI vehicles. The federal court in the multidistrict litigation in California approved the second partial consent decree on 17 May 2017. Also on 17 May 2017, the court granted final approval of the California Second Partial Consent Decree and the class action settlement reached with private plaintiffs related to 3.0 l TDI vehicles.

On 13 April 2017, the federal court in the multidistrict litigation in California approved the third partial consent decree, which Volkswagen had agreed to with the DOJ and EPA on 11 January 2017 that resolved claims for civil penalties and injunctive relief under the Clean Air Act related to the 2.0 l and 3.0 l TDI vehicles. Various cases filed against Volkswagen AG and its affiliates remain pending before the federal court in the multidistrict litigation in California, including class actions brought by competitor dealerships (i.e. non-Volkswagen car dealerships) and Volkswagen salespersons working at franchise dealerships, as well as purchasers of certain Volkswagen bonds and American Depositary Receipts (ADRs). Moreover, certain members of the consumer and dealer classes have opted out of the settlements in the California multidistrict litigation and instead filed their own lawsuits, which are pending in the California multidistrict litigation and various state courts in the United States.

On 21 April 2017, the federal court in Michigan accepted Volkswagen AG's agreement to plead guilty on 11 January 2017 and to pay a US$2.8 billion criminal penalty, and imposed a sentence of three years' probation.

Also on 21 April 2017, Canadian courts approved the settlement agreement entered into between consumers and Volkswagen AG and other Canadian and US Volkswagen Group companies relating to 2.0 l diesel vehicles.

The public prosecutor's office in Munich initiated a criminal investigation against persons unknown on suspicion of fraud and false advertising in connection with 3.0 l TDI vehicles distributed in the United States. The criminal investigation is still at an early stage and further progress remains to be seen.

In June 2017, Larry Thompson was named as an Independent Compliance Monitor and an Independent Compliance Auditor. Together with his team he will be active for the period of three years pursuant to the criminal plea agreement and the third partial consent decree, respectively. Mr. Thompson (the Monitor) has significant experience in both public and private sectors, having served inter alia as a Deputy Attorney General, a United States Attorney for the Northern District of Georgia and as Executive Vice President and General Counsel for Pepsi-Co. Volkswagen AG and relevant related entities are working closely with the Monitor and his team to support them as they execute their mandates.

On 19 April 2017, a putative class action was filed against AUDI AG and certain affiliates alleging that defendants concealed the existence of "defeat devices" in Audi brand vehicles with automatic gearboxes. There are now 14 such putative class actions pending in the California multidistrict litigation. The court has set a deadline of 28 August 2017 for plaintiffs to file a consolidated class action complaint.

In addition, five mass actions have been filed in the California multidistrict litigation on behalf of approximately 500 individual plaintiffs alleging similar claims with respect to the existence of "defeat devices" in Audi brand vehicles with automatic gearboxes. The most recent of the mass action complaints was filed on 26 May 2017. In June 2017, the plaintiffs dismissed these actions without prejudice.

On 23 May 2017, the federal court in the multidistrict litigation in California remanded the consumer and environmental claims of 12 State Attorneys General (Alabama, Illinois, Maryland, Minnesota, Missouri, Montana, New Hampshire, New Mexico, Ohio, Oklahoma, Tennessee and Vermont) to their respective state courts, where future litigation of these claims will proceed.

In June 2017, Volkswagen Group Canada reached an agreement with its Volkswagen-branded franchise dealers to resolve issues related to the diesel issue. The agreement was reached without court process.

On 28 June 2017, the court in the multidistrict litigation in California granted in part and denied in part Volkswagen AG's motion to dismiss plaintiffs' First Amended Consolidated Securities Class Action Complaint, which was filed by certain purchasers of Volkswagen ADRs. On 19 July 2017, this court granted in part and denied in part Volkswagen AG's motion to dismiss the class action complaint filed by purchasers of certain Volkswagen bonds, and permitted the plaintiffs to file an amended complaint by 18 August 2017.

On 21 July 2017, the federal court in the multidistrict litigation in California approved a further California Partial Consent Decree, in which Volkswagen AG and certain affiliates had agreed with the California Attorney General and CARB to pay US$153.8 million in civil penalties and cost reimbursements. These penalties covered California environmental penalties for both the 2.0 l and 3.0 l TDI vehicles. An agreement in principle had been reached on 11 January 2017.

Also on 21 July 2017, the California federal court granted the motion of the Plaintiffs' Steering Committee seeking US$125 million in attorneys' fees and costs in connection with the 3.0 l TDI settlement.

On 21 July 2017, AUDI AG offered a software-based retrofit program for up to 850,000 vehicles with V6 and V8 TDI engines meeting the Euro 5 and Euro 6 emission standards in Europe and other markets except the USA and Canada. The measure will mainly serve to further improve the vehicles' emissions in real driving conditions beyond the current legal requirements. Customers will not be charged for the new software. The full package is also offered for certain Porsche and Volkswagen models and comprises voluntary and compulsory measures that have already been reported to the authorities and partially considered within their decisions. Audi has been systematically checking the emissions of engine-gearbox combinations for months, working closely with the authorities, in particular the German Federal Ministry of Transport and the German Federal Motor Transport Authority (KBA).

Audi currently assumes that the overall cost of the software-based retrofit program including the scope related to recalls will be manageable and has already recognized first provisions in this respect. If the investigations by Audi and the discussions with the KBA should reveal that further measures are necessary, Audi will swiftly implement the required solutions in the interest of its customers as part of the retrofit program. The voluntary tests have already reached an advanced stage, but have not yet been completed. In addition, Audi is responding to requests from the US authorities for information regarding automatic gearboxes in certain vehicles. Further field measures with financial consequences can therefore not be ruled out completely at this time.

Beyond this, there were no significant changes in the reporting period compared with the disclosures in the group management report and management report of Porsche SE for the fiscal year 2016 on the expected development of the Volkswagen Group in the fiscal year 2017 as well as in publications released by the date when the half-yearly financial report was authorized for issue concerning the diesel issue and other possible proceedings.

Subsequent events

With the exception of the developments presented in the section “Significant events and developments at the Porsche SE Group” in July 2017, there were no other reportable events after 30 June 2017.

Forecast report and outlook

Anticipated development of the Volkswagen Group

The Volkswagen Group is well positioned to deal with the mixed developments in automotive markets around the world. Its broad, selectively expanded product range featuring the latest generation of engines as well as a variety of alternative drives puts Volkswagen in a good position globally compared with its competitors. The group's further strengths include in particular its unique brand portfolio, its steadily growing presence in all major world markets and its wide selection of financial services. The Volkswagen Group's range of models covers almost all key segments, with offerings from small cars to super sports cars in the passenger car segment, and from pickups to heavy trucks and buses in the commercial vehicles segment, as well as motorcycles. The Volkswagen Group brands will further optimize their vehicle and drive train portfolio in 2017 to concentrate on the most attractive and fastest-growing market segments.

Its goal is to offer all customers the mobility and innovations they need, sustainably strengthening its competitive position in the process.

The Volkswagen Group expects that deliveries to customers in 2017 will moderately exceed the prior-year volume amid persistently challenging market conditions.

Challenges will arise particularly from the economic situation, intense competition in the market, exchange rate volatility and the diesel issue.

Volkswagen expects the sales revenue of the passenger cars business area and commercial vehicles business area to grow by more than 4% year-on-year in 2017. In terms of the Volkswagen Group's operating result, Volkswagen anticipates an operating return on sales of between 6.0% and 7.0% in 2017. In the passenger cars business area, the Volkswagen Group expects an operating return on sales in the range of 6.5% to 7.5%. For the commercial vehicles business area, Volkswagen anticipates an operating return on sales of between 3.0% and 5.0%. In the power engineering business area, Volkswagen expects a substantial year-on-year decline in sales revenue but also a lower operating loss. For the financial services division, Volkswagen is forecasting sales revenue and operating profit at least at the prior-year level.

Anticipated development of the Porsche SE Group

The Porsche SE Group's profit/loss will be largely dependent on the results of operations of the Volkswagen Group and therefore on the profit/loss of the investment in it accounted for at equity that is attributable to Porsche SE. The forecast is therefore largely based on the expectations of the Volkswagen Group regarding the future development of its operating profit, supplemented in particular by expectations of Porsche SE's executive board regarding developments of the financial result, including the profit contributions from investments.

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

The following earnings forecast is based on the current structure of the Porsche SE Group. Effects from the purchase of PTV Planung Transport Verkehr AG and 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 profit for the year of between €2.1 billion and €3.1 billion for the fiscal year 2017.

As of 30 June 2017, Porsche SE had net liquidity of €1,263 million. The goal of both Porsche SE and the Porsche SE Group to achieve positive net liquidity by the end of the fiscal year 2017 remains unchanged. In light of the acquisition of PTV Planung Transport Verkehr AG, but not taking possible additional investments into account, net liquidity is expected to be between €0.7 billion and €1.2 billion as of 31 December 2017.

Stuttgart, 28 July 2017
Porsche Automobil Holding SE

The executive board

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

Interim condensed consolidated financial statements

Consolidated income statement of Porsche Automobil Holding SE for the period from 1 January to 30 June 2017

€ million	Note	**1st half of 2017**	1st half of 2016
Personnel expenses	[1]	– 5	– 6
Other operating expenses	[2]	– 18	– 15
Profit/loss from investments accounted for at equity	[3]	1,949	1,012
Profit/loss before financial result		1,926	991
Finance costs	[4]	– 11	– 12
Other financial result	[5]	2	3
Financial result		**-9**	**-9**
Profit/loss before tax		**1,917**	**982**
Income tax	[6]	– 14	-2
Profit/loss for the period		**1,903**	**980**
thereof profit/loss attributable to shareholders of Porsche Automobil Holding SE	[7]	1,903	980
Earnings per ordinary share (basic)	[7]	6.21	3.20
Earnings per preference share (basic)	[7]	6.22	3.21
Earnings per ordinary share (diluted)	[7]	6.21	3.20
Earnings per preference share (diluted)	[7]	6.22	3.21

Consolidated statement of comprehensive income of Porsche Automobil Holding SE for the period from 1 January to 30 June 2017

€ million	**1st half of 2017**	1st half of 2016
Profit/loss for the period	**1,903**	**980**
Actuarial gains (+)/losses (-) after tax	0	-6
Other comprehensive income not reclassified subsequently to profit or loss from investments accounted for at equity (after tax)	425	–1,626
Total other comprehensive income not reclassified subsequently to profit or loss	425	–1,632
Other comprehensive income reclassified subsequently to profit or loss from investments accounted for at equity (after tax)	205	640
Total other comprehensive income reclassified subsequently to profit or loss	205	640
Other comprehensive income after tax	**630**	**–992**
Total comprehensive income	**2,533**	**–12**
thereof attributable to		
shareholders of Porsche Automobil Holding SE	2,533	–12

Consolidated balance sheet of Porsche Automobil Holding SE as of 30 June 2017

€ million	Note	**30/6/2017**	31/12/2016
Assets			
Investments accounted for at equity	[8]	29,026	26,760
Other receivables and assets	[9]	2	1
Non-current assets		**29,028**	**26,761**
Other receivables and assets	[9]	4	4
Income tax assets		0	1
Securities	[10]	245	272
Time deposits		250	679
Cash and cash equivalents		768	648
Current assets		**1,267**	**1,604**
		30,295	**28,365**
Equity and liabilities			
Subscribed capital	[11]	306	306
Capital reserves	[11]	4,884	4,884
Retained earnings	[11]	24,924	22,704
Equity		**30,114**	**27,894**
Provisions for pensions and similar obligations		31	30
Other provisions	[13]	16	18
Deferred tax liabilities		42	28
Non-current liabilities		**89**	**76**
Other provisions	[13]	71	75
Trade payables		6	2
Financial liabilities	[12]	0	300
Other liabilities	[14]	15	18
Current liabilities		**92**	**395**
		30,295	**28,365**

Consolidated statement of cash flows of Porsche Automobil Holding SE for the period from 1 January to 30 June 2017

€ million	**1st half of 2017**	1st half of 2016
1. Operating activities		
Profit/loss for the period	1,903	980
Change in provisions for pensions	1	1
Change in other provisions	-6	–16
Change in deferred tax	14	2
Income tax paid	0	–53
Income tax received	1	4
Interest expense	11	12
Interest income	0	-1
Interest paid for financial instruments	–13	–11
Interest received from financial instruments	1	2
Non-cash expenses and income	–1,949	–1,014
Dividends received	308	17
Change in other assets	-2	3
Changes in trade payables and other liabilities (excluding tax provisions, pension provisions and other provisions)	2	-1
Cash flow from operating activities	**271**	**–75**
2. Investing activities		
Decrease in investments in securities	28	508
Change in investments in time deposits	429	–160
Cash flow from investing activities	**457**	**348**
3. Financing activities		
Dividends paid to shareholders	–308	–308
Cash paid for the settlement of financial liabilities	–300	0
Cash flow from financing activities	**–608**	**–308**
4. Cash funds		
Change in cash funds (subtotal of 1 to 3)	120	–35
Cash funds as of 1 January	**648**	**712**
Cash funds as of 30 June	**768**	**677**

Consolidated statement of changes in equity of Porsche Automobil Holding SE for the period from 1 January to 30 June 2017

€ million	Subscribed capital	Capital reserves	Retained earnings: Accumulated profit	Retained earnings: Investments accounted for at equity[2]	Equity
As of 1 January 2016	306	4,884	23,694	–1,794	27,090
Profit/loss for the period			980		980
Other comprehensive income after tax			–6	–986	–992
Total comprehensive income for the period			974	–986	–12
Dividend payment			–308[1]		–308
Other changes in equity arising from the level of investments accounted for at equity			–8		–8
As of 30 June 2016	**306**	**4,884**	**24,352**	**–2,780**	**26,762**
As of 1 January 2017	306	4,884	24,737	–2,033	27,894
Profit/loss for the period			1,903		1,903
Other comprehensive income after tax			0	630	630
Total comprehensive income for the period			1,903	630	2,533
Dividend payment			–308[1]		–308
Other changes in equity arising from the level of investments accounted for at equity			–5		–5
As of 30 June 2017	**306**	**4,884**	**26,327**	**–1,403**	**30,114**

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

Equity is explained in note [11].

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 condensed interim consolidated financial statements of Porsche SE as of 30 June 2017 were prepared in accordance with International Financial Reporting Standards (IFRSs) applicable as of the reporting date as endorsed by the European Union (EU). The accounting policies and consolidation principles underlying the preparation of the consolidated financial statements as of 31 December 2016 were applied. For further information about these methods, please refer to the consolidated financial statements of Porsche SE as of 31 December 2016 under "Consolidation principles" and "Accounting policies".

In accordance with IAS 34 "Interim Financial Reporting", the interim condensed consolidated financial statements do not contain all the information and disclosures required for a complete set of consolidated financial statements. These are to be read in connection with the audited and published IFRS consolidated financial statements as of 31 December 2016 and the notes to the consolidated financial statements contained therein.

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).

The interim condensed consolidated financial statements and the interim group management report were authorized for issue by the executive board on 28 July 2017. 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 the consolidated financial statements of Porsche SE, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as defined by Sec. 37w WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act].

Consolidated group

The interim condensed consolidated financial statements of Porsche SE for the first half of 2017 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 consolidated group did not change in the reporting period. For further information, please refer to the consolidated financial statements of Porsche SE as of 31 December 2016 in the section “List of shareholdings of the group as of 31 December 2016”.

Significant uncertainties and judgments

For the following issues whose accounting is subject to both significant estimates and accounting judgments, new developments and findings compared to the consolidated financial statements for 2016 arose up to the time that the interim condensed consolidated financial statements were authorized for issue:

Diesel issue at the level of the Volkswagen Group
On 18 September 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a notice of violation that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. This was followed by further reports on the scope of the diesel issue. Detailed explanations can be found in Porsche SE’s consolidated financial statements for 2016 in the section “Significant accounting judgments and estimates”.

In the first half of the fiscal year 2017, the publications released until the date the interim condensed consolidated financial statements were authorized for issue, as well as the investigations and interviews in connection with the diesel issue at the level of the Volkswagen Group, also did not provide any new reliable findings or assessments regarding the underlying facts and the assessment of the associated risks (e.g. investor lawsuits) with material effects on the interim condensed consolidated financial statements. With regard to the legal proceedings resulting from the diesel issue, reference is made to section “Opportunities and risks at the Volkswagen Group” in the interim group management report.

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

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

Notes to the consolidated income statement

[1] Personnel expenses

€ million	1st half of 2017	1st half of 2016
Wages and salaries	4	5
Social security contributions, pension and other benefit costs	1	1
	5	**6**

[2] Other operating expenses

Other operating expenses consist of:

€ million	1st half of 2017	1st half of 2016
Legal and consulting fees	10	7
Other external services	4	4
Sundry other operating expenses	4	4
	18	**15**

Other external services mainly contain expenses relating to the organization of annual general meetings. Sundry other operating expenses primarily include expenses for other taxes, leasing and insurance as well as travel expenses.

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

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

€ million	1st half of 2017	1st half of 2016
Profit from ongoing equity accounting before purchase price allocation	1,995	1,068
Effects from purchase price allocation	−46	−56
	1,949	**1,012**

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

[4] Finance costs

€ million	**1st half of 2017**	1st half of 2016
Interest expenses from loans issued by associates	10	10
Interest on tax back payments	0	1
Other interest and similar expenses	1	1
	11	**12**

[5] Other financial result

€ million	**1st half of 2017**	1st half of 2016
Income from bonds and investment fund shares	0	1
Income from derivative financial instruments	3	4
Expenses from derivative financial instruments	-2	-3
Other interest and similar income	1	1
	2	**3**

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

[6] Income tax

Income taxes relate exclusively to deferred taxes.

[7] Earnings per share

		1st half of 2017	1st half of 2016
Profit/loss for the period	€ million	1,903	980
Profit/loss attributable to shareholders of Porsche Automobil Holding SE	€ million	1,903	980
Profit/loss attributable to ordinary shares (basic)	€ million	951.0	489.5
Profit/loss attributable to preference shares (basic)	€ million	952.0	490.5
Profit/loss attributable to ordinary shares (diluted)	€ million	951.0	489.5
Profit/loss attributable to preference shares (diluted)	€ million	952.0	490.5
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)	€	6.21	3.20
Earnings per preference share (basic)	€	6.22	3.21
Earnings per ordinary share (diluted)	€	6.21	3.20
Earnings per preference share (diluted)	€	6.22	3.21

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

There were no dilutive effects.

Notes to the consolidated balance sheet

[8] Investments accounted for at equity

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

[9] Other receivables and assets

Other receivables and assets consist of:

€ million	**30/6/2017**	31/12/2016
Sundry other financial receivables and assets	3	3
Sundry other non-financial receivables and assets	3	2
	6	**5**
thereof non-current	2	1
thereof current	4	4

[10] Securities

Securities consist of:

€ million	**30/6/2017**	31/12/2016
Bonds and investment fund shares	191	189
Asset-backed commercial papers	54	83
	245	**272**

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

[11] 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 30 May 2017, the annual general meeting of Porsche SE resolved to distribute a dividend of €1.004 per ordinary share and €1.01 per preference share for the fiscal year 2016. As a result, a total of €308,393,750.00 was distributed. In the comparative period, the same amount was paid out as dividends for the fiscal year 2015.

[12] Financial liabilities

The prior-year financial liabilities of €300 million are due entirely to one associate and were repaid in full on 18 June 2017.

[13] Other provisions

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

€ million	**30/6/2017**	31/12/2016
Provisions for bonuses and personnel costs	2	5
Provisions for costs of litigation	26	26
Sundry other provisions	59	62
	87	**93**
thereof non-current	16	18
thereof current	71	75

Sundry other provisions mainly comprise provisions for other tax.

[14] Other liabilities

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

€ million	**30/6/2017**	31/12/2016
Other financial liabilities to associates	13	16
Sundry other financial liabilities	1	1
Sundry other non-financial liabilities	1	1
	15	**18**
thereof non-current	0	0
thereof current	15	18

Other notes

[15] Disclosures on financial instruments

Financial instruments at fair value through profit or loss comprise securities measured at fair value as well as derivatives for which hedge accounting is not applied. All financial instruments measured at fair value are allocated to hierarchy level 2 as market data are directly or indirectly observable for these instruments. In particular, interest rate curves, index values and exchange rates are used as key parameters.

All financial instruments are current. their carrying amounts therefore correspond to fair value.

[16] 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 2017 and is accessible on the website www.porsche-se.com.

[17] Legal disputes

Please refer to the new development with regard to legal disputes presented in the interim group management report in the section "Significant events and developments at the Porsche SE Group".

[18] Related parties

The only reportable transactions with related parties in the reporting period were with companies of the Volkswagen Group; as associates of Porsche SE, these are presented as related parties within the scope of IAS 24. Supplies and services rendered include the dividend received from Volkswagen AG of €308 million (first half of 2016: €17 million). The goods and services received relate primarily to interest expenses from loans. The decrease in liabilities to associates is largely due to the repayment of financial liabilities. Obligations resulting directly from the contribution of the holding business operations of Porsche SE to Volkswagen AG in the fiscal year 2012 are recognized within liabilities at an amount of €12 million (31 December 2016: €12 million).

Related parties

€ million	Supplies and services rendered		Supplies and services received	
	1st half of 2017	1st half of 2016	**1st half of 2017**	1st half of 2016
Associates	308	18	11	12
	308	**18**	**11**	**12**

€ million	Receivables		Liabilities	
	30/6/2017	31/12/2016	**30/6/2017**	31/12/2016
Associates	0	1	13	316
	0	**1**	**13**	**316**

[19] Subsequent events

On 7 June 2017, a wholly owned subsidiary of Porsche Automobil Holding SE, Porsche Zweite Beteiligung GmbH, Stuttgart, purchased around 97% of shares in PTV Planung Transport Verkehr AG, Karlsruhe. The company is a leading provider of software for traffic planning and management as well as transport logistics. The purchase price is around €300 million, subject to any purchase price adjustments. The merger control approvals were granted on 23 June 2017 and as of 13 July 2017. Execution of the transaction is still subject to a condition precedent and is expected in the third quarter of 2017.

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 2017, there were no other reportable events after 30 June 2017.

Stuttgart, 28 July 2017

Porsche Automobil Holding SE

The executive board

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

Responsibility statement

To the best of our knowledge and in accordance with the applicable reporting principles for interim financial reporting, the interim condensed consolidated financial statements give a true and fair view of the 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, 28 July 2017

Porsche Automobil Holding SE

The executive board

Hans Dieter Pötsch Dr. Manfred Döss Matthias Müller 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, comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of cash flows, the statement of changes in equity and selected explanatory notes to the financial statements, and the interim group management report for the period from 1 January 2017 to 30 June 2017, which are part of the half-yearly financial report pursuant to Sec. 37w WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim 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 following point determined during the review:

As explained by the executive board in the selected explanatory notes to the interim condensed consolidated financial statements in the section “Significant estimates and accounting judgments” and in the interim group management report in the sections “Significant events and developments at the Porsche SE Group”, “Significant events at the Volkswagen Group” and “Opportunities and risks at Porsche SE”, Porsche Automobil Holding SE, Stuttgart, as the majority shareholder of Volkswagen AG, Wolfsburg, continues to be affected by the diesel issue mainly through its profit/loss 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 Volkswagen AG, Wolfsburg, the executive board of Porsche Automobil Holding SE still sees a risk that the diesel issue will continue to have a negative impact on the proportionate profit/loss attributable to it and the uncertainties associated therewith. These uncertainties relate to the amount of the provisions recognized in the interim consolidated financial statements of Volkswagen AG, Wolfsburg, or the effects of the diesel issue on the operating business and/or the financing costs of the Volkswagen Group which exceed the extent assumed in the planning. As the impairment test of the investment in Volkswagen AG, Wolfsburg, is based on the current planning of the Volkswagen Group, a further increase in the costs of mitigating the diesel issue could result in an impairment loss for the investment in Volkswagen AG, Wolfsburg.

The provisions for legal risks in connection with the diesel issue recognized in the interim consolidated financial statements of Volkswagen AG, Wolfsburg, as of 30 June 2017 are based on the information presented. The provisions recognized for this matter and the contingent liabilities disclosed at the level of the Volkswagen Group as well as the other latent legal risks are in some cases subject to substantial estimation risks given the complexity of the individual factors, the ongoing consultations with the authorities and the fact that the independent, comprehensive investigations have not yet been completed.

Legal risks from claims brought against Porsche Automobil Holding SE, Stuttgart, stemming from the diesel issue may also have an effect on the results of operations, financial position and net assets of Porsche Automobil Holding SE, Stuttgart.

Stuttgart, 28 July 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

Financial calendar

7 November 2017

Group quarterly statement 3rd Quarter 2017

This half-yearly financial report is available in German and English.

In case of doubt the German version is binding.

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