PORSCHE SE

# Interim report

## 1 January – 10 November

# 2014

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Porsche Automobil Holding SE ("Porsche SE" or the "company"), as the ultimate parent of the Porsche SE group, is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. As of 30 September 2014, the Porsche SE group had 33 employees (31 December 2013: 35 employees).

This interim report by Porsche SE relates to the development of business and its effects on the results of operations, net assets and financial position in the first nine months of the fiscal year 2014, and contains information on the reporting period from 1 January through to 10 November 2014.

On the basis of the structures in connection with the investment in Volkswagen Aktiengesellschaft ("Volkswagen AG" or "Volkswagen"), which have been in place for several years, since August 2012 Porsche SE has gradually created the conditions in terms of organization and substance for the acquisition and management of new investments. To this end, clearly defined criteria and a systematic process have been created in order to identify and examine future investment opportunities.

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.

Taking these criteria into account, Porsche SE's investment focus is on strategic investments in midsize companies in Germany and abroad with experienced management. The main goal is to achieve sustainable value enhancement. Various potential investment opportunities are currently being examined.

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# Significant events and developments

## Significant events and developments in the Porsche SE group

Significant events and developments in the Porsche SE group are presented in the following. The explanations refer to events and developments in the third quarter of the fiscal year 2014, unless reference is made in this section to another time period.

### Porsche SE acquires stake in US technology company INRIX

On 3 September 2014, Porsche SE has acquired a stake of around 10% in the US technology company INRIX Inc., Kirkland, Washington ("INRIX"). The total investment came to around €41 million. For Porsche SE, the acquisition is the first step towards creating a portfolio of investments complementing the existing shareholding in Volkswagen AG.

INRIX holds a leading position worldwide in the area of real-time traffic information, where continued double-digit growth is expected in the coming years. The company is a pioneer in the development of technologies for the collection and interpretation of traffic data. The INRIX Traffic Intelligence platform continuously analyzes real-time data from various sources including a crowd-sourced network of more than 175 million data sources such as vehicles and mobile devices. Today, the company provides real-time traffic information worldwide for around 6.4 million kilometers (around 4 million miles) of roads across 40 countries and is continuously adding more roads and countries to its coverage.

Apart from comprehensive information on road traffic conditions, INRIX has smart analysis tools for a range of applications such as traffic forecasting. The company offers services for the six market segments automotive, public sector, mobile enterprise, fleet, media and real estate. The range of services includes inter alia real-time traffic information and navigation data, visualization of traffic data for media-enabled presentation as well as traffic data analytics and accurate traffic-related forecasts for traffic management, such as for cities and municipalities or transport and logistics.

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

For several years, Porsche SE has been involved in various legal proceedings. The main developments of these legal proceedings during the reporting period are described in the following:

#### Actions for damages in the USA, Germany and England

In 2010, 46 plaintiffs filed claims for damages of more than US$2.5 billion in the USA against Porsche SE and, in some cases, also against the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter with the U.S. District Court for the Southern District of New York based on alleged market manipulation and common law fraud in connection with the acquisition of a stake in Volkswagen AG by Porsche SE during the year 2008. On 30 December 2010, the District Court dismissed all damage claims in their entirety. Of the 32 plaintiffs who appealed such decision 12 plaintiffs withdrew their appeal in early March 2013 and a further 12 plaintiffs withdrew their appeal at the end of April 2013 in the appellate proceedings before U.S. Court of Appeals for the Second Circuit by way of entering into stipulations with Porsche SE, leaving eight plaintiffs remaining in the appeal. On 15 August 2014, the U.S. Court of Appeals for the Second Circuit affirmed the dismissal of the claims brought by the eight remaining plaintiffs and remanded the case to the District Court to consider whether plaintiffs should be permitted to seek leave to amend their complaints. The eight plaintiffs subsequently informed the District Court that they would not seek leave to file amended complaints, and on 24 September 2014, the District Court entered orders closing the cases. The eight plaintiffs have until 13 November 2014 to request discretionary review of the Second Circuit's decision by the U.S. Supreme Court, but Porsche SE continues to consider these actions to be inadmissible and the claims to be without merit.

For the 12 plaintiffs who withdrew their appeal before the U.S. Court of Appeals for the Second Circuit in early March 2013, an action for damages against Porsche SE was at that time already pending before the Regional Court of Braunschweig which remains unaffected by the withdrawal of the appeal. In this action, the plaintiffs last alleged overall damages of about €1.81 billion (plus interest) based on alleged market manipulation and alleged inaccurate information in connection with the acquisition of the shareholding in Volkswagen AG by Porsche SE, though it remained unclear to what extent the alleged damages were comprised of damages already asserted before the U.S. Court. After being referred, the matter is now pending before the Regional Court of Hanover. By a pleading dated 1 October 2014 the plaintiffs have filed a motion for stay of proceedings with respect to the pending criminal proceedings against the former members of the executive board of Porsche SE. An oral hearing before the Regional Court of Hanover took place on 14 October 2014. During the hearing the Regional Court of Hanover scheduled a date for rendition of a decision on the motion for stay of proceedings for 25 November 2014. Furthermore, the Regional Court of Hanover has charged the plaintiffs to amend and supplement their pleading and has announced that it will render a decision afterwards whether or not to enter into taking evidence. A possible taking of evidence could take place in the first half of 2015. Porsche SE considers these claims to be without merit.

Based on the same alleged claims, the aforementioned plaintiffs filed an action against two members of the supervisory board of Porsche SE before the Regional Court of Frankfurt am Main in September 2013. Porsche SE has joined the proceeding as intervenor in support of the two supervisory board members. A trial date for hearing the case has not yet been set. Porsche SE considers the claims to be without merit.

On 30 April 2013, 25 plaintiffs filed a complaint against Porsche SE with the Regional Court of Stuttgart and asserted claims for damages based on allegations of market manipulation and inaccurate information in connection with the acquisition of the shareholding in Volkswagen AG in 2008. Prior to this, 24 of the aforementioned 25 plaintiffs had filed complaints with the New York State Supreme Court. These actions for damages were dismissed by the court under the condition that Porsche SE temporarily waives the statute-of-limitations defense. The 25 plaintiffs include 11 of the plaintiffs who withdrew their appeal in the appellate proceeding before the U.S. Court of Appeals for the Second Circuit at the end of April 2013. After withdrawal of the complaint by one plaintiff, the merger of two other plaintiffs and after the partial correction of the alleged damage claim, the remaining 23 plaintiffs asserted claims for damages in an amount of around €1.36 billion (plus interest) in the proceeding before the Regional Court of Stuttgart. An oral hearing took place on 10 February 2014. The Regional Court of Stuttgart dismissed the action by decision of 17 March 2014. 19 of the 23 plaintiffs filed appeals against this decision on 22 April 2014. The four plaintiffs not filing appeals originally had asserted claims for damages in the amount of approximately

€177 million (plus interest). Hence, the remaining claims for damages asserted in the appellate proceedings amount to approximately €1.18 billion (plus interest). A trial date has been set for 26 February 2015 by the Regional Court of Stuttgart. Porsche SE considers the claims to be without merit.

At the end of 2011, ARFB Anlegerschutz UG (haftungsbeschränkt), Berlin, brought two actions before the Regional Court of Braunschweig against Porsche SE based on claims for damages in an amount of around €1.92 billion (plus interest) allegedly assigned to it by 69 investment funds, insurance companies and other companies. In each case, the plaintiff alleges that, in 2008, on the basis of inaccurate information and the omission of information as well as market manipulation by Porsche SE, the companies behind the complaints either failed to participate in price increases of shares in Volkswagen AG and, hence, lost profits or entered into derivatives relating to shares in Volkswagen AG and incurred losses from these transactions due to the share price development in the amount claimed. The Higher Regional Court of Braunschweig dismissed the plaintiff's motions to stay the proceedings by decisions dated 20 January 2014. The Regional Court of Braunschweig set trial dates for 10 December 2014 after substitution of the plaintiff's representative. Porsche SE considers the claims to be without merit.

An individual filed an action against the company in the amount of approximately €1.3 million (plus interest) with the Regional Court of Stuttgart in August 2012 based on asserted damage claims due to allegedly inaccurate information and the omission of information. After being referred, the proceeding was interim pending before the Regional Court of Braunschweig. An oral hearing before the Regional Court of Braunschweig took place on 14 May 2014. On 30 July 2014, the Regional Court of Braunschweig indicated that, due to possible antitrust aspects, the Regional Court of Hanover could be the competent court. Following the request of the plaintiff, on 9 September 2014 the Regional Court of Braunschweig declared itself incompetent and referred the case to the antitrust chamber of the Regional Court of Hanover. Porsche SE considers the claim to be without merit.

In September 2012, another company filed an action against Porsche SE in the amount of approximately €213 million (plus interest) with the Regional Court of Braunschweig. The plaintiff claims that it entered into options relating to ordinary shares in Volkswagen AG in 2008 on the basis of inaccurate information and the omission of information by Porsche SE and that it incurred losses from these options due to the share price development in the amount claimed. The Higher Regional Court of Braunschweig dismissed the plaintiff's motion to stay the proceedings by decision dated 20 January 2014. An oral hearing took place on 14 May 2014. The Regional Court of Braunschweig canceled the date scheduled for rendition of a decision, originally set for 30 July 2014, due to a challenge on the grounds of bias against the presiding judge by the plaintiff. The plaintiff withdrew the challenge on the grounds of bias by pleading dated 14 August 2014. The court has not rendered yet a decision on the next steps to be taken in the proceeding. Porsche SE considers the claim to be without merit.

In January 2013, another individual had substantiated his claim in the amount of around €130,000 (plus interest) based on allegedly inaccurate information and omission of information, previously asserted by reminder notice, entering thereby legal proceedings with the Regional Court of Stuttgart. After being referred, the proceeding was pending before the Regional Court of Braunschweig. An oral hearing took place on 30 April 2014. The Regional

Court of Braunschweig dismissed the plaintiff's action by decision dated 30 July 2014. The plaintiff has appealed this decision. Until now, no decision on the appeal has been rendered nor has a trial date been set. Porsche SE considers the claim to be without merit.

On 7 June 2012, Porsche SE filed an action for declaratory judgment with the Regional Court of Stuttgart that alleged claims of an investment fund 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 and 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 has been 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. A trial date has been scheduled for 28 November 2014. Porsche SE considers the action filed in England to be inadmissible and the claims to be without merit.

**Proceedings regarding shareholders' actions**

A shareholder has filed an action of nullity and for annulment before the Regional Court of Stuttgart regarding the resolutions of the annual general meeting on 30 April 2013 on the exoneration of the executive board and the supervisory board for the fiscal year 2012, the election of five persons as members of the supervisory board as well as the resolution to refuse the motion to vote out the chairman of the general meeting. The Regional Court of Stuttgart dismissed the action by decision of 23 September 2014. The plaintiff appealed this decision. Porsche SE considers the action to be without merit.

The same shareholder also 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 actions are the shareholders' resolutions on the exoneration of the executive board and the supervisory board for the fiscal year 2013 as well as the resolution to refuse the motion to vote out the chairman of the general meeting. For reasons of precaution 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. A trial date has not been set yet. Porsche SE considers the action to be without merit.

Furthermore, the same shareholder claims a right to information against Porsche SE before the Regional Court of Stuttgart. With this motion the disclosure of questions asked at the annual general meeting in 27 May 2014 is demanded. A trial date has not been set yet. Porsche SE considers the motion to be without merit.

**Investigations and criminal proceedings**

On 4 June 2013, the Regional Court of Stuttgart sentenced the former CFO and a former manager of the finance department of Porsche SE to fines due to joint credit fraud assumed by the court. The accusation is that false information was allegedly provided to one of the banks involved during the negotiations for follow-up financing for the €10 billion loan due for repayment in March 2009. The judgment is final. The loan in question was repaid by Porsche SE punctually and completely.

In December 2012, the Stuttgart public prosecutor brought charges against the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter with the chamber of the Regional Court of Stuttgart responsible for economic offenses on suspicion of information-based manipulation of the market in Volkswagen shares. According to the press release by the Stuttgart public prosecutor of 19 December 2012, they are held responsible for false declarations made in public statements of the company at their instigation in 2008 relating to the acquisition of the shareholding in Volkswagen AG. In five statements made in the period from 10 March 2008 to 2 October 2008, Porsche SE is alleged to have denied any intention to step up its investment to 75% of the voting capital despite already planning to do so at the time. In its charges, the public prosecutor assumes, that by February 2008 at the latest, it was already the intent of the accused former members of the executive board to increase Porsche SE's investment in Volkswagen AG to 75% of the voting capital before the end of the first quarter of 2009 in preparation for a control and profit and loss transfer agreement. Porsche SE's denials covered by the charges are alleged to have had an actual impact on the stock market price of Volkswagen ordinary shares. This is alleged to have led specific investors to sell Volkswagen ordinary shares that they already held and to sell short Volkswagen ordinary shares. The Regional Court of Stuttgart dismissed the opening of the main proceedings on 24 April 2014. Following the Stuttgart public prosecutor's appeal, this decision of the Regional Court of Stuttgart was annulled by the Higher Regional Court of Stuttgart on 18 August 2014 and the main proceedings were opened. This decision is final. A date for the main hearing has not yet been set. On 20 October 2014 the Stuttgart public prosecutor requested an order by the Regional Court of Stuttgart for participation of Porsche SE as a secondary party with respect to the imposition of a fine in accordance with section 30 of the German Act against Regulatory Offenses (OWiG) against Porsche SE concerning the alleged criminal offenses. In this context the Stuttgart prosecutor noted that it currently does not assume that Porsche SE obtained an economic benefit from the alleged criminal offenses (five statements made between 10 March 2008 to 2 October 2008) that could be confiscated.

In February 2013, it became known that the Stuttgart public prosecutor had launched investigations against all members of the supervisory board of Porsche SE from 2008 and a former employee with the allegation of jointly aiding and abetting violation of the prohibition on market manipulation by omission as charged against Dr. Wendelin Wiedeking and Holger P. Härter in the indictment of 17 December 2012.

In September 2014, the Stuttgart public prosecutor launched further investigations against the former executive board members Dr. Wendelin Wiedeking and Holger P. Härter concerning the press release by Porsche SE of 26 October 2008. Allegedly, the put options held by Porsche SE, which were not mentioned in the press release, were deliberately not mentioned. Thus, the press release had allegedly been false or deceptive and capable of influencing the price of Volkswagen shares, which it allegedly did as well. The Stuttgart public prosecutor has launched investigations for administrative and regulatory offenses against Porsche SE regarding these further investigations against the former executive board members Dr. Wendelin Wiedeking and Holger P. Härter, considering whether a fine in accordance with section 30 of the German Act against Regulatory Offenses (OWiG) shall be imposed on Porsche SE insofar as a body of the company is responsible for a breach of duty in that respect. Should charges be brought against the former executive board members Dr. Wendelin Wiedeking and Holger P. Härter concerning the press release of 26 October 2008, the Stuttgart public prosecutor would – as the case may be after consolidation with the criminal proceedings already pending – request an order for participation of Porsche SE as a secondary party also in this criminal proceeding with respect to the imposition of a fine in accordance with section 30 of the German Act against Regulatory Offenses (OWiG) concerning the alleged criminal offense. In case of conviction of the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter, the Regional Court of Stuttgart could impose a fine in accordance with section 30 of the German Act against Regulatory Offenses (OWiG) against Porsche SE. A possible economic benefit obtained by Porsche SE from the alleged criminal offense of the former members of the executive board could be confiscated.

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

## Significant events at the Volkswagen group

The significant events and developments in the Volkswagen group in the third quarter of the fiscal year 2014 are presented below.

### Capacities and capabilities

The Volkswagen group will expand its production capacities in China with the construction of two new plants in Qingdao and Tianjin. Together with its Chinese joint venture partner FAW, it is investing around €2 billion in the new factories, which will help meet customer demand locally. The highly qualified workforce and the existing infrastructure in the region were key factors in choosing the cities, which are located on the east coast.

Due to the significant demand for the Porsche Cayenne, Volkswagen's Osnabrück plant will take over part of the final assembly of this model starting in summer 2015. The Cayenne is currently finished exclusively in the Leipzig plant. Relocating part of the final assembly from Leipzig to Osnabrück will optimize plant capacity utilization throughout the group's production network.

At the end of 2016, the new midsize Volkswagen SUV developed specially for the North American market will start production at the Chattanooga location in the USA as the second model alongside the US Passat. The new vehicle, which is based on the CrossBlue study, will play a key role in the Volkswagen group's presence in the USA. Volkswagen Group of America is investing a total of around US$900 million in the construction of the additional production line and the establishment of an independent National Research & Development and Planning Center in Chattanooga. This will create 2,000 new jobs. The location will be further strengthened by around 200 qualified engineers, who will be responsible for project management for the North American market, ensuring customers' needs are optimally met.

Volkswagen India is investing €30 million in a new assembly line for a TDI engine specially developed for the Indian market at the Pune plant. The investment will create more than 260 jobs. Production, which will further improve the local value added, is due to start at the end of 2014.

To further expand its expertise and capabilities in the field of vehicle connectivity, the Volkswagen group acquired BlackBerry's European research and development center in Bochum and established Volkswagen Infotainment GmbH in July 2014. Connectivity between vehicles, with infrastructure, drivers and the internet will be a key feature of the car of the future, particularly where convenience and driving safety are concerned.

The Audi brand opened its high-tech complex in Neuburg an der Donau in August 2014, after a construction period of two years. The complex accommodates the Motorsport Competence Center, the Audi driving experience center and some of the brand's Technical Development functions under one roof.

# Business development

The following statements in this section on deliveries, sales, production and employees take into consideration operating developments in the passenger cars and commercial vehicles business areas at the Volkswagen group in the first nine months of the fiscal year 2014. For the business development of Porsche SE, please refer to the sections “Significant events and developments” and the “Explanatory notes on results of operations, net assets and financial position”.

**General economic development**

The global economy continued its slight recovery in the year 2014 to date, although its strength has been mixed in the different regions. The economic situation in many industrialized nations improved despite the continued presence of structural obstacles. Economic growth in a number of emerging economies was held in check by currency fluctuations and structural deficits.

**Trends in the passenger car markets**

Global demand for passenger cars was higher year-on-year in the period from January to September 2014, but weakened slightly in the course of the year. The primary growth drivers were the Asia-Pacific region, North America, Western Europe and Central Europe. In South America and Eastern Europe, new passenger car registrations were much lower than in the prior-year period.

**Trends in the market for commercial vehicles**

Global demand for light commercial vehicles rose modestly year-on-year in the period from January to September 2014. In the first three quarters of 2014, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was down on the previous year. New bus registrations worldwide were down on the prior-year figure in the first three quarters of 2014.

**Sales and production in the Volkswagen group**

In the reporting period, the Volkswagen group’s unit sales to the dealer organization – including the Chinese joint ventures – amounted to 7,645,947 vehicles, exceeding the prior-year figure by 5.6%. The Volkswagen group produced 7,638,082 vehicles in the period from January to September of this year, also surpassing the prior-year figure by 5.6%. 1,898,189 vehicles were produced in Germany, exceeding the figure for the same period in the previous year by 4.1%. The proportion of vehicles produced in Germany declined to 24.9% (prior-year: 25.2%).

**Employees in the Volkswagen group**

The Volkswagen group had a total of 590,814 employees worldwide at the end of September 2014, up 3.1% on the number as of 31 December 2013. The expansion of the workforce is a result of increased production and the recruitment of specialists and experts. The number of employees in Germany was 269,051, up 3.3% on the end of 2013. At 45.5%, the proportion of employees in Germany was at the same level as the previous year.

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

| € million | **2014** | 2013 | Change % |
|---|---|---|---|
| **Regions** | | | |
| Europe/Other markets | 3,297,218 | 3,134,842 | 5.2 |
| North America | 655,144 | 665,795 | – 1.6 |
| South America | 586,326 | 744,188 | – 21.2 |
| Asia-Pacific | 3,003,294 | 2,638,164 | 13.8 |
| **Worldwide** | **7,541,982** | **7,182,989** | **5.0** |
| **by brands** | | | |
| Volkswagen passenger cars | 4,563,260 | 4,430,669 | 3.0 |
| Audi | 1,298,643 | 1,180,748 | 10.0 |
| ŠKODA | 774,062 | 684,946 | 13.0 |
| SEAT | 294,014 | 266,115 | 10.5 |
| Bentley | 7,786 | 6,516 | 19.5 |
| Lamborghini | 1,570 | 1,688 | – 7.0 |
| Porsche | 135,642 | 119,747 | 13.3 |
| Bugatti | 36 | 25 | 44.0 |
| Volkswagen commercial vehicles | 325,098 | 338,429 | – 3.9 |
| Scania | 56,193 | 56,224 | – 0.1 |
| MAN | 85,678 | 97,882 | – 12.5 |

1 Deliveries for 2013 have been updated to reflect subsequent statistical trends. Includes the Chinese joint ventures. The Saveiro model, which is mainly sold in South America, is reported in the Volkswagen passenger cars brand retrospectively as of 1 January 2013.

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

In the following explanations, the significant results of operations as well as the financial position and net assets for the first nine months of the fiscal year 2014 and as of 30 September 2014 are compared to the corresponding comparative figures for the period from 1 January to 30 September 2013 (results of operations) and as of 31 December 2013 (net assets and financial position).

**Results of operations**

In the period from 1 January to 30 September 2014, the Porsche SE group recorded a profit for the period of €2,493 million (comparative period: €1,990 million). This result was significantly influenced by the profit from the investment in Volkswagen AG accounted for at equity of €2,651 million (comparative period: €2,031 million).

Other operating expenses increased from €25 million in the comparative period to €42 million in the first nine months of the fiscal year 2014. This item mainly relates to legal and consulting fees, expenses for other external services and, in the reporting period, additions to provisions based on new findings in connection with tax field audits not relating to income taxes.

Compared to the corresponding prior-year period, profit/loss from investments accounted for at equity increased from €2,031 million to €2,651 million. This figure contains profit contributions from the Volkswagen group that comprise profit/loss from ongoing equity accounting of €2,720 million (comparative period: €2,171 million) as well as effects from the dilution of the share in capital and from the purchase price allocation. On 3 June 2014, Volkswagen AG resolved a capital increase through the issue of preference shares from authorized capital in exchange for cash contributions in which Porsche SE did not participate. As a result, the share of Porsche SE in the capital of Volkswagen AG decreased from 32.2% to 31.5%. By contrast, Porsche SE's share in Volkswagen AG's ordinary shares remained unchanged at about 50.7%. In the first nine months of the fiscal year 2014, the dilution had a total impact of €57 million on the Porsche SE group, which affected profit but not cash. The profit/loss from investments accounted for at equity also includes effects of the subsequent measurement of the purchase price allocation performed at the time of the renewed inclusion of Volkswagen AG as an associate. The Porsche SE group's profit from investments accounted for at equity was reduced by €126 million (comparative period: €140 million) in total by the subsequent effects of this purchase price allocation, i.e., the subsequent measurement of hidden reserves and liabilities identified in the process.

The financial result for the first nine months of the fiscal year 2014 comes to minus €44 million (comparative period: €0 million). In the reporting period, this figure mainly consists of additions to provisions for expected interest on tax back payments mainly due to new findings in connection with tax field audits of €34 million (comparative period: €1 million) as well as expenses for interest on loans of €16 million (comparative period: €16 million). In the comparative period, the financial result contained in particular a positive effect from interest on tax received in connection with a tax refund of €14 million.

Profit before tax comes to €2,556 million (comparative period: €2,001 million). The tax expense increased by €52 million on the comparative period to €63 million, specifically on account of new findings in connection with tax field audits. This means that a group profit for the period totaling €2,493 million was generated for the first nine months of the fiscal year 2014 (comparative period: €1,990 million).

**Net assets and financial position**

The Porsche SE group's total assets decreased by €514 million, from €31,285 million as of 31 December 2013 to €30,771 million as of 30 September 2014.

The non-current assets of the Porsche SE group as of 30 September 2014 totaling €27,829 million (31 December 2013: €28,223 million) almost exclusively comprise the investments accounted for at equity. These include the carrying amount of the investment in Volkswagen AG accounted for at equity, which fell to €27,787 million in comparison to the end of the fiscal year 2013 (31 December 2013: €28,222 million). This decrease is mainly attributable to an effect of €1,470 million to be recognized directly in equity with no effect on the consolidated income statement at the level of the Volkswagen group in connection in particular with Volkswagen AG's voluntary public offer to the shareholders of Scania AB to tender all A and B shares in Scania to Volkswagen. The remaining changes in the carrying amount of the investment accounted for at equity stems from the profit from the investment accounted for at equity (€2,625 million, without taking into account the effects from the reclassification of other comprehensive income) from dividend payments received (minus €599 million) and from the change in other comprehensive income (minus €991 million). Since the acquisition of the investment in INRIX, the shares accounted for at equity have also included the carrying amount of the investment in INRIX, which totaled €41 million as of 30 September 2014.

Current assets mainly consist of cash, cash equivalents and time deposits of Porsche SE and its subsidiary and decreased from €3,062 million as of 31 December 2013 to €2,942 million as of 30 September 2014. This decrease is largely attributable to a cash outflow as a consequence of the acquisition of the investment in INRIX.

As of 30 September 2014, the equity of the Porsche SE group decreased to a total of €29,861 million despite the profit for the period (31 December 2013: €30,470 million). The decrease is largely attributable to the effect of the voluntary public offer made by Volkswagen AG to the shareholders of Scania AB to be recognized directly in equity with no effect on the consolidated income statement.

Current and non-current provisions increased from €452 million as of 31 December 2013 to €549 million. This increase is mainly attributable to the addition to provisions due to new findings in connection with tax field audits.

Non-current financial liabilities as of 30 September 2014 remained unchanged compared to 31 December 2013, at €300 million.

Net liquidity of the Porsche SE group, i.e., cash, cash equivalents and time deposits less loan liabilities, decreased from €2,612 million as of 31 December 2013 to €2,493 million as of 30 September 2014 in line with the development of cash, cash equivalents and time deposits.

In addition, Porsche SE took advantage of the attractive market environment to prematurely refinance the revolving credit facility. In this context, the credit facility previously in place, with a term until 30 November 2014, was prematurely terminated as of 9 October 2014, and a new credit facility was concluded with the same volume of €1.0 billion and a term of five years. The commitment fee for the new credit facility is due on a quarterly basis and comes to 8.75 base points per annum.

**Results of operations of the significant investment**

The following statements relate to the original profit/loss figures of the Volkswagen group in the first nine months of the fiscal year 2014. This means that effects from inclusion in the consolidated financial statements of Porsche SE, particularly relating to the subsequent measurement of the hidden reserves and liabilities identified in the course of the purchase price allocation, as well as from applying uniform group accounting policies, are not taken into consideration.

The Volkswagen group generated sales revenue of €147,718 million in the first nine months of this year (comparative period: €145,673 million), slightly exceeding the prior-year figure. The clearly negative exchange rate effects seen in the first half of the year in particular were offset by higher volumes and improvements in the mix. The proportion of sales revenue generated outside of Germany was 80.1% (comparative period: 80.7%).

Less the cost of sales, gross profit in the reporting period came to €27,171 million, €123 million higher than in the prior-year period. The gross margin was 18.4% (comparative period: 18.6%). While optimized product costs had a positive impact, exchange rate deterioration, increased depreciation charges resulting from significant capital expenditures as well as a higher upfront investments in new products weighed on profit. Prior-year profit was impacted by contingency reserves.

The Volkswagen group's operating profit for the period from January to September 2014 was €9,416 million; €859 million higher than a year earlier. The operating return on sales was 6.4% (comparative period: 5.9%).

Profit before tax rose by 22.2% year-on-year to €11,490 million. Profit after tax amounted to €8,687 million, €1,985 million higher than in 2013.

# 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 2013 must be updated as of 30 September 2014 with regard to the statements on the current status of the legal proceedings. We refer to the section “Significant events and developments” in this interim report.

In addition, Porsche SE took advantage of the attractive market environment to prematurely refinance the revolving credit facility (reference is made to the explanations contained in the section “Explanatory notes on results of operations, net assets and financial position”). Volkswagen AG ordinary shares must be provided as collateral if the credit facility is drawn. No other financial covenants have to be complied with.

For changes in the assessment of tax risks, we refer to the comments in the section “Explanatory notes on results of operations, net assets and financial position”.

There were no significant changes compared to the presentation of the other opportunities and risks at Porsche SE contained in the group management report and management report for the fiscal year 2013.

**Opportunities and risks in the Volkswagen group**

There were no significant changes compared to the presentation of the opportunities and risks at the Volkswagen group in the group management report and management report of Porsche SE for the fiscal year 2013.

# Outlook

## Anticipated development of the Volkswagen group

The Volkswagen group's strengths include its unique brand portfolio covering almost all segments, from motorcycles through subcompact cars to heavy trucks and buses, its steadily growing presence in all major markets in the world and the wide range of financial services. Volkswagen offers an extensive range of environmentally friendly, cutting-edge, high-quality vehicles for all markets and customer groups that is unparalleled in the industry. The Volkswagen group will press ahead with its product initiative across all brands in 2014 and will modernize and expand its offering by introducing attractive new vehicles. The Volkswagen group is pursuing the goal of offering all customers the mobility and innovation they need, sustainably strengthening its competitive position in the process.

The Volkswagen group expects that it will moderately increase deliveries to customers year-on-year in 2014 in a still challenging market environment.

Challenges for the Volkswagen group will come from the difficult market environment and fierce competition, as well as interest rate and exchange rate volatility and fluctuations in raw materials prices. The modular toolkit system, which is being continuously expanded, will have an increasingly positive effect on the group's cost structure.

Depending on the economic conditions, Volkswagen expects 2014 sales revenue for the group and its business areas to move within a range of 3% of the prior-year figure.

In terms of the Volkswagen group's operating profit, an operating return on sales of between 5.5% and 6.5% is expected in 2014, in light of the challenging economic environment, and the same range also applies to the passenger cars business area. The commercial vehicles/power engineering business area is likely to moderately exceed the 2013 figure. The operating return on sales in the financial services division is expected to be between 8% and 9%. Disciplined cost and investment management and the continuous optimization of its processes remain integral elements of the Volkswagen group's Strategy 2018.

## 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.

As of 30 September 2014, Porsche SE has net liquidity of €2,493 million. Porsche SE plans to use a major portion of the net liquidity to acquire investments along the automotive value chain.

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

In view of the Volkswagen group's expectations regarding future developments in the fiscal year 2014 – also taking into account the dilution of Porsche SE's share in the capital of Volkswagen AG –, the company still expects a profit from investments accounted for at equity of between €2.3 billion and €2.8 billion.

Furthermore, it is aimed to achieve positive net liquidity for both Porsche SE and the Porsche SE group. This is still expected to be between €2.1 billion and €2.6 billion as of 31 December 2014, not taking future investments into account. The available liquidity of Porsche SE is invested at an interest rate that is in line with the market. From this investment, the amount of which depends in particular on the scope and timing of future investments, Porsche SE will earn interest income. This will depend on the development of the absolute sum invested and the interest rates. Finance costs will primarily arise from interest expenses for an existing loan liability due to the Volkswagen group.

Overall, based on the current group structure – also taking into account the dilution Porsche SE's share in capital of Volkswagen AG –, Porsche SE still expects a group profit for the year of between €2.2 billion and €2.7 billion for the fiscal year 2014.

This interim report is available in German and English. In case of doubt the German version is binding.

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