PORSCHE SE

Interim report 2012

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Porsche Automobil Holding SE
Interim report

This interim report by Porsche Automobil Holding SE, Stuttgart (“Porsche SE” or “company”) 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 2012, and contains information on the reporting period from 1 January 2012 through to 29 October 2012.

Porsche SE contributed its entire holding business operations, and thus the remaining share in Porsche's operating business, to Volkswagen Aktiengesellschaft, Wolfsburg, ("Volkswagen AG" or "VW") as of 1 August 2012. Since then Volkswagen AG has held 100 percent of the shares in Porsche Holding Stuttgart GmbH, Stuttgart, and therefore also indirectly holds 100 percent of the shares in Dr. Ing. h. c. F. Porsche Aktiengesellschaft, Stuttgart, ("Porsche AG"). Porsche SE's shareholding in the total capital of Volkswagen AG remains unchanged at 32.2 percent.

Porsche Holding Stuttgart GmbH was originally named Porsche Sechste Vermögensverwaltung GmbH and was renamed Porsche Zweite Zwischenholding GmbH on 27 July 2012. On 30 July 2012, Porsche Zwischenholding GmbH, Stuttgart, and thus Porsche's operating business, was merged into the then Porsche Zweite Zwischenholding GmbH. On 24 October 2012, the company was renamed Porsche Holding Stuttgart GmbH.

Porsche SE held 50.1 percent of the shares in Porsche Holding Stuttgart GmbH until 31 July 2012 (at that time still named Porsche Zweite Zwischenholding GmbH). 49.9 percent of the shares in Porsche Holding Stuttgart GmbH were already held by Volkswagen AG up to this date.

As the contribution was executed as of 1 August 2012, when periods are considered in this interim report, values and other information on the Porsche Holding Stuttgart GmbH group (Porsche Holding Stuttgart GmbH as well as Porsche AG and its subsidiaries) are presented separately up to 31 July 2012. Values and other information on the Porsche Holding Stuttgart GmbH group relating to the period from 1 August 2012 are included in the statements on the Volkswagen group (Volkswagen AG and its subsidiaries).

For further information on the implementation of the Integrated Automotive Group and the effects of this transaction on the Porsche SE group, please refer to the "Significant events" section of this interim report below.

Significant events

Porsche SE and Volkswagen AG create Integrated Automotive Group

Porsche SE and Volkswagen AG achieved their shared goal of creating the Integrated Automotive Group on 1 August 2012.

The executive board of Porsche SE and the board of management of Volkswagen AG, with the agreement of the competent bodies, approved the concept for the complete integration of Porsche's operating business into the Volkswagen group on 4 July 2012. Implementing this concept, both companies concluded a contribution agreement on 12 July 2012. Porsche SE contributed its holding business operations to Volkswagen AG by way of singular succession with effect as of 1 August 2012 as part of a capital increase with a mixed non-cash contribution. In return, Volkswagen AG issued one new ordinary Volkswagen AG share, created partly by using an existing authorization, to Porsche SE and made a payment of 4.5 billion euro to Porsche SE.

The cash amount of 4.5 billion euro includes the base purchase price agreed upon in the basic agreement of 2009 and discounted to the fair value as of the date of the contribution for Porsche SE's 50.1 percent share in Porsche's operating business. In addition, the amount includes the fair value of the dividend payments from this investment that would have been due to Porsche SE until 2014. Economically, this means that Porsche SE was in the same position, as regards its 50.1 percent share in Porsche's operating business, as it would be if Volkswagen exercised its call option in August 2014, as provided for in the basic agreement of 2009. The cash amount additionally includes half of the additional net synergies made possible by the accelerated creation of the Integrated Automotive Group, as well as the fair value of the other Porsche SE assets that were contributed to Volkswagen AG. To safeguard the transaction, binding information was obtained from the competent tax authorities.

Before the contribution of the holding business operations on 1 August 2012, various restructuring measures were performed. From the point of view of the Porsche SE group, these mainly pertained to the merger of Porsche Zwischenholding GmbH into Porsche Holding Stuttgart GmbH (formerly operating under the name Porsche Zweite Zwischenholding GmbH), which at that time was also held by Porsche SE and Volkswagen AG, and – following completion of this merger – a resolution on an advance profit distribution from Porsche Holding Stuttgart GmbH being passed.

As a result of contributing Porsche SE’s holding business operations, the main items that were directly or indirectly transferred to Volkswagen AG were the investment in Porsche Holding Stuttgart GmbH and all of Porsche SE’s other subsidiaries at the time of the contribution, the put and call options for Porsche SE’s shares – after the merger – in Porsche Holding Stuttgart GmbH remaining up to the execution of the contribution, as well as receivables from and liabilities to companies belonging to the Porsche Holding Stuttgart GmbH group. This includes Porsche SE's proportionate net entitlement based on the resolution regarding the advance profit distribution of Porsche Holding Stuttgart GmbH as well as any future tax credits arising from this. In particular, the investment in Volkswagen AG was not transferred. The contribution transaction, taking into consideration the updated underlying valuation assumptions as of the contribution date, resulted in a one-time positive effect on earnings of 4.75 billion euro in the consolidated financial statements of Porsche SE.

Immediately following the contribution of the holding business operations, significant assets in Porsche SE's consolidated balance sheet mainly comprised the equity investment in Volkswagen AG as well as income tax assets and cash and cash equivalents. Following the execution of the contribution, the liabilities and equity side of the consolidated financial statements essentially contained equity, provisions, liabilities to banks, a loan liability due to Porsche Holding Finance plc, a previous subsidiary of Porsche SE, and other liabilities.

Due to the decision to contribute the holding business operations, accounting for the investment in Porsche Holding Stuttgart GmbH group at equity in the consolidated financial statements of Porsche SE had to cease in July 2012, with the result that no further profit from investments accounted for at equity is attributable to Porsche SE from July 2012 from this investment. Following execution of the contribution, Porsche SE continues, however, to hold a share of 32.2 percent of Volkswagen AG's capital and will therefore participate indirectly in the result of Porsche's operating business and benefit from the realization of the full synergy potential of the Integrated Automotive Group in the future in proportion to its share in capital.

In addition, the contribution also has the following effects on the collateral concept agreed with the involvement of Porsche SE. After the contribution was executed, Porsche AG's secondary lien on 70 million ordinary shares in Volkswagen AG belonging to Porsche SE and Bankhaus Metzler's corresponding tertiary lien on these ordinary shares were canceled.

Since the transaction was executed, Porsche SE has become a financially strong holding company with attractive potential for increasing value added, with clear, sustainable structures and a solid outlook for the future. Porsche AG and Volkswagen AG will be able to leverage synergies in their operating business at an earlier stage and cooperate more easily following the execution of the transaction. Porsche SE, as the largest shareholder in Volkswagen AG, will also greatly benefit from this.

For further information on the effects of the transaction on the results of operations, net assets and financial position, on the opportunities and risks of the Porsche SE group and on its future development, please refer to the sections "Results of operations, net assets and financial position", "Updating the risk assessment" and "Outlook" in this interim report.

Following execution of the transaction, Porsche SE founded a wholly owned subsidiary, Porsche Beteiligung GmbH, Stuttgart, which was entered in the Stuttgart commercial register on 18 September 2012.

Repayment in full of liabilities to banks

Porsche SE repaid in full the syndicated loan of a nominal amount of 2.0 billion euro that was utilized at the time it contributed its holding business operations to Volkswagen AG, by using the cash inflow resulting from the execution of the contribution. Due to the applicable terms of the syndicated loan agreement of October 2011, the previously undrawn revolving credit line of 1.5 billion euro has decreased to 1.0 billion euro as a result of the repayment. This credit line remains undrawn.

The primary lien on 70 million ordinary Volkswagen AG shares belonging to Porsche SE in favor of the syndicate of banks has not been utilized yet, but secures the possible future use of the revolving credit line by the company.

After repayment of the liabilities to banks in full, the cap on the amount of dividend distributions by Porsche SE to its shareholders contained in the syndicated loan agreement was canceled.

Changes to the supervisory board and executive board of Porsche SE

Effective 23 January 2012, Mr. Hansjörg Schmierer was appointed to the supervisory board of Porsche SE by the court as an employee representative. He takes over this function from Mr. Hans Baur, who had laid down his office effective as of 31 December 2011.

Mr. Thomas Edig left the executive board of Porsche SE of his own volition and in agreement with the supervisory board on 29 February 2012 in order to focus on his tasks on the executive board of Porsche AG and vigorously drive forward Strategy 2018. Mr. Edig was the member of Porsche SE’s executive board in charge of commercial and administrative issues. The supervisory board of Porsche SE approved the premature termination of his appointment to the executive board in its meeting on 27 February 2012. In June 2011, the Porsche AG supervisory board had appointed Mr. Thomas Edig as deputy chairman, board member for human resources and social issues, and labor director of Porsche AG for a further five years, effective as of 1 May 2012.

The supervisory board appointed Mr. Philipp von Hagen to the executive board of Porsche SE, effective as of 1 March 2012. Mr. von Hagen, who is the member of the board responsible for investment management, had previously been Chief Operating Officer and director in the corporate finance division at Rothschild.

Extension of the appointment of Prof. Winterkorn and Mr. Pötsch

In its meeting of 9 March 2012, the supervisory board of Porsche SE extended the appointment of the CEO, Prof. Dr. Martin Winterkorn, and the CFO, Hans Dieter Pötsch, by five years, effective from 25 November 2012. Both members of the executive board will perform their functions alongside their respective roles on the board of management of Volkswagen AG.

Annual general meeting of Porsche SE

Around 4,200 shareholders attended the annual general meeting of Porsche SE held on 25 June 2012 at the Stuttgart trade fair center. The dividend approved for fiscal year 2011 amounts to 76 cents per share to holders of preference shares and 75.4 cents per share for holders of ordinary shares.

At this annual general meeting, it was also decided to amend Art. 2 of the articles of association of Porsche SE – and thus the business purpose of the company.

The background to the decision to amend the articles of association is that, following repayment of the existing bank loans in full, most of the cash that Porsche SE receives from the creation of the Integrated Automotive Group with Volkswagen is to be used for strategic investments along the automotive value chain. The amendment of Porsche SE's articles of association will ensure adequate room to maneuver in the future. The amendment to the articles of association was entered in the commercial register on 23 July 2012 and is therefore effective.

Litigation risks and legal disputes

Investigations of the Stuttgart public prosecutor

To the knowledge of Porsche SE – which is not a party to the investigations and therefore has only limited knowledge of the subject matter and status of investigations – the Stuttgart public prosecutor has initiated investigations against the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter in connection with allegations of information-based manipulation of the market in Volkswagen shares. According to the public prosecutor, the allegations involve public statements and the failure to make certain required statements regarding the acquisition of the shareholding in Volkswagen AG between 2006 and 2009. In addition, the public prosecutor is investigating the two former members of the executive board in connection with allegations of breach of fiduciary duty to the detriment of Porsche SE. According to the public prosecutor, there is reason to suspect that the two former members of the executive board may have taken risks jeopardizing Porsche SE's ability to continue as a going concern by entering into share price hedging transactions in the course of acquiring the shareholding in Volkswagen AG. In the press release of 6 March 2012, the Stuttgart public prosecutor also stated that investigations into the allegations of information-based manipulation of the market and breach of fiduciary duty against the former members of Porsche SE's executive board are continuing. According to the Stuttgart public prosecutor, these investigations are extremely complex and time-consuming and likely would not be completed before mid-2012.

The Stuttgart public prosecutor brought charges against three managers of the finance department of Porsche SE with the Chamber for Commercial Crimes of the Regional Court of Stuttgart responsible for economic offenses on suspicion of obtaining credit by deception. The main proceedings have been opened by decision of the Regional Court of Stuttgart dated 25 June 2012. The accusation is that one of the banks involved during the negotiations for follow-up financing for the 10 billion euro loan due for repayment in March 2009 was provided with false information on derivatives held by Porsche SE relating to VW ordinary shares.

Porsche SE considers the allegations made by the public prosecutor to be without merit.

Actions for damages in the United States

In 2010, 46 plaintiffs filed six actions for damages against Porsche SE in the United States District Court for the Southern District of New York. The plaintiffs alleged damages of more than USD 2.5 billion. In three of the six actions, the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter are also named as defendants. Plaintiffs alleged in their complaints that, in connection with its acquisition of a stake in Volkswagen AG during the year 2008, Porsche SE issued false and misleading statements and engaged in market manipulation in violation of the US Securities Exchange Act as well as in common law fraud. Porsche SE considers the complaints to be without merit and filed a motion to dismiss. On 30 December 2010, the US court granted the motion to dismiss the complaints in their entirety. Thirty-two of the original 46 plaintiffs have appealed this decision with the United States Court of Appeals for the Second Circuit. Oral argument before the Second Circuit was held on 24 February 2012 and the appeal is pending.

Moreover, on 18 February 2011, three of the plaintiffs, and on 15 March 2011 a further 23 of the plaintiffs, filed two actions in New York State Court. In their complaints, they assert claims for common law fraud and unjust enrichment on the basis of allegations similar to those made in their complaints in the actions referred to above. The plaintiffs claim to have lost at least USD 1.4 billion. Porsche SE considers these actions to be legally insufficient and without merit. Porsche's motion to dismiss the complaints and for summary judgment was denied on 6 August

2012. Porsche has appealed this decision to the New York Supreme Court Appellate Division for the First Department. The appeal is pending. Porsche also moved to stay discovery in New York State Court pending a decision on Porsche's appeal on 13 September 2012. Porsche's motion to stay discovery pending the appeal was granted on 9 October 2012.

Actions for damages in Germany and England

In 2009, 2010 and 2011, market participants in Germany applied for conciliatory proceedings against Porsche SE and in part against Volkswagen AG with regard to the assertion of claims for damages on the basis of alleged breaches of statutory capital market regulations in connection with the acquisition of a shareholding in Volkswagen AG. Various market participants have filed further applications for conciliatory proceedings against Porsche SE based on the same claims; the company received these applications in January and February 2012. Some of the new applications are also directed against Volkswagen AG and in one case against Porsche AG. All of the claims alleged in conciliatory proceedings relate to alleged lost profits or alleged losses incurred estimated by the market participants to total approximately 3.3 billion euro. Porsche SE considers the allegations to be without merit and has not taken part in the conciliatory proceedings.

In January 2011, an individual filed a claim for damages against Porsche SE and another defendant in the amount of approximately 3 million euro. The plaintiff claims to have entered into options relating to shares in Volkswagen AG in 2008 on the basis of inaccurate information and the omission of information as well as market manipulation by Porsche SE and to have incurred losses from these options due to the share price development in 2008 in the amount claimed. The action was referred by the Regional Court of Stuttgart to the Regional Court of Braunschweig. On 27 June 2012 a hearing took place. By decision of 19 September 2012 the Regional Court of Braunschweig dismissed the claim. The plaintiff may appeal the judgment within one month after its service. To the knowledge of Porsche SE, the plaintiff has not filed an appeal so far.

In October 2011, ARFB Anlegerschutz UG (haftungsbeschränkt), Berlin, brought an action before the Regional Court of Braunschweig against Porsche SE and Volkswagen AG based on claims for damages allegedly assigned to it by 41 investment funds, insurance companies and other companies in the amount of approximately 1.1 billion euro. Some of the 41 companies are also applicants in the aforementioned conciliatory proceedings. Four of the companies are hedge funds that have also filed claims against Porsche SE before a US Federal Court that were dismissed. In December 2011, this claim was extended to include the alleged claims for damages filed by ARFB Anlegerschutz UG (haftungsbeschränkt) on behalf of another 24 entities for an allegedly assigned right in the amount of approximately 700 million euro. Two of these other companies are hedge funds that have also filed claims against Porsche SE before a US Federal Court that were dismissed. In connection with the extension of the claim in December 2011, ARFB Anlegerschutz UG (haftungsbeschränkt) also partly withdrew its original action to the extent that alleged claims for damages of an investment fund in the amount of approximately 4.5 million euro arising from an allegedly assigned right are no longer upheld. In addition, ARFB Anlegerschutz UG (haftungsbeschränkt) filed another action against the company at the Regional Court of Braunschweig in December 2011, asserting alleged claims for damages on behalf of another five companies, again from the alleged assigned right, for a total of approximately 351 million euro. 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. Porsche SE considers the alleged claims to be without merit and has responded by filing motions to dismiss. On Porsche SE's petitions for providing security for the costs of the proceedings filed in both proceedings hearings took place on 27 June 2012. After Porsche SE and the plaintiff agreed on security for the costs of the first instance of both proceedings, the Regional Court of Braunschweig postponed the decision on Porsche SE's remaining petitions until the end of the first instance. A trial date for hearing the case has been set for 17 April 2013 in both proceedings.

In December 2011, a total of seven plaintiffs filed a complaint against Porsche SE at the Stuttgart Regional Court and asserted claims for damages against the company in the total amount of some 2 billion euro, based on allegations of market manipulation and inaccurate information in connection with the acquisition of a shareholding in Volkswagen AG in 2008. Six of the plaintiffs are hedge funds that have also filed claims against Porsche SE before a US Federal Court that were dismissed. The Regional Court of Stuttgart referred the action to the Regional Court of Braunschweig. Porsche SE considers the alleged claims to be without merit and has responded by filing a motion to dismiss. A trial date for hearing the case has been set for 17 April 2013.

In addition, a market participant filed an action against Porsche SE at the Regional Court of Braunschweig in December 2011 and asserted claims for damages against the company in the total amount of some 1.5 million euro, based on allegations of market manipulation in connection with the acquisition of a shareholding in Volkswagen AG in 2008. The plaintiff bases the alleged damage on alleged losses incurred due to a total of 205 investment decisions (comprising purchases and sales of VW ordinary shares) on 27 October 2008. A hearing took place on 27 June 2012. By decision of 19 September 2012 the Regional Court of Braunschweig dismissed the claim. The plaintiff may appeal the judgment within one month after its service. To the knowledge of Porsche SE, the plaintiff has not filed an appeal so far.

In May 2012, a private investor filed a motion for legal aid with the Regional Court of Braunschweig. The applicant announced to file an action against Porsche SE in the total amount of approximately 125,000 euro. He alleges to have entered into options relating to shares in Volkswagen AG in 2008 on the basis of inaccurate information and the omission of information as well as market manipulation by Porsche SE and to have incurred losses from these options due to the share price development in 2008 in the amount claimed. By decision of 20 September 2012 the Regional Court of Braunschweig refused to grant the legal aid sought by the applicant. The applicant may appeal the decision within one month of its service. To the knowledge of Porsche SE, the applicant has not filed an appeal so far.

In July 2012, an individual substantiated his claim previously asserted out-of-court and by reminder notice. The proceeding is currently pending with the Regional Court of Stuttgart. The plaintiff alleges that he entered into options in October 2008 speculating on a decreasing price of Volkswagen AG’s ordinary shares and that he suffered losses in the amount of approximately 146,000 euro due to the company's press release of 26 October 2008. Porsche SE considers the alleged claim to be without merit and has responded by filing a motion to dismiss. A trial date for hearing the case has not been scheduled yet.

A further individual, who has previously initiated a conciliatory proceeding against Porsche SE, filed an action against the company in the amount of approximately 1.3 million euro with the Regional Court of Stuttgart in August 2012. The plaintiff claims that he entered into options relating to shares in Volkswagen AG in 2008 on the basis of inaccurate information and the omission of information as well as market manipulation by Porsche SE and that he incurred losses from these options due to the share price development in 2008 in the amount claimed. The Regional Court of Stuttgart referred the action to the Regional Court of Braunschweig by decision of 17 October 2012. Porsche SE considers the alleged claim to be without merit and will respond by filing a motion to dismiss. A trial date for hearing the case has not been scheduled yet.

In September 2012, a further company filed an action against Porsche SE in the amount of approximately 213 million euro with the Regional Court of Braunschweig. The action comprises alleged own and assigned claims. The claims have been asserted before out-of-court and in a conciliatory proceeding. 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 2008 in the amount claimed. Porsche SE considers the alleged claims to be without merit and will respond by filing a motion to dismiss. A trial date for hearing the case has not been scheduled yet.

A total of four reminder notices were served on the company in December 2011 and January 2012, asserting alleged claims for damages based on allegations of market manipulation and of inaccurate information or the omission of information, for a total of approximately 31 million euro. Porsche SE considers the alleged claims to be without merit and has filed an objection against the reminder notices. In three cases the proceedings were subsequently referred to the Regional Court of Stuttgart for implementation of a contradictory court hearing. In one case, the applicant has withdrawn its motion for contradictory proceedings. In another case the plaintiff has substantiated its alleged claim in the meantime, as mentioned above.

On 28 February 2012, an investment fund asserted an out-of-court claim for alleged damages in the amount of some USD 195 million. In the letter of claim, it is alleged that, in connection with its acquisition of a stake in Volkswagen AG during 2008, Porsche SE made false and misleading statements. The alleged claims are announced to be filed before a court in England. Porsche SE considers the claim to be without merit and therefore on 7 June 2012 filed an action for declaratory judgment with the Regional Court of Stuttgart that the alleged claim does not exist. On 18 June 2012, the investment fund filed an action against Porsche SE with the Commercial Court in England. The statement of claim has not been served to Porsche SE yet.

Furthermore, in May and June 2012 three market participants asserted claims for damages against Porsche SE out-of-court. The claims are based on alleged inaccurate information and the omission of information by Porsche SE in connection with the acquisition of a stake in Volkswagen AG during 2008. Two of the market participants had effected service of the above mentioned reminder notices before. The total amount claimed by the three market participants out-of-court amounts to around 31 million euro. Porsche SE considers the claims to be without merit and has rejected them.

Proceedings regarding shareholders' actions

In its appeal judgment of 29 February 2012, the Higher Regional Court of Stuttgart declared the resolution of the annual general meeting of 29 January 2010 on the exoneration of the supervisory board for the fiscal year 2008/09 null and void. The first-instance decision of the Regional Court of Stuttgart of 17 May 2011 in favor of Porsche SE was altered accordingly. The Higher Regional Court of Stuttgart did not permit leave to appeal to the German Federal Court of Justice. Porsche SE then lodged an appeal with the Federal Court of Justice against the denial of leave to appeal. The decision of the Higher Regional Court of Stuttgart is therefore not final and legally binding.

In its ruling of 17 April 2012, the Federal Court of Justice dismissed the appeal lodged by two shareholders against the Higher Regional Court of Stuttgart's denial of leave to appeal against its ruling of 17 November 2010. In this ruling, the Higher Regional Court of Stuttgart dismissed actions of nullity and for annulment regarding the resolutions of the annual general meeting on 30 January 2009, and upheld the first-instance decision of the Regional Court of Stuttgart of

28 May 2010 in favor of Porsche SE. The dismissal of the appeal against the denial of leave to appeal clarifies that the resolutions of the annual general meeting on the exoneration of the executive board and supervisory board, the supervisory board election, and the remuneration of the first supervisory board of Porsche SE remain effective.

Significant events at the Porsche Holding Stuttgart GmbH group

The events presented below relate to the period from 1 January to 31 July 2012. Since 1 August 2012, 100 percent of the shares in Porsche Holding Stuttgart GmbH have been held by Volkswagen AG. Events since this date are therefore presented in the section "Significant events at the Volkswagen group".

Changes to the supervisory board of Porsche AG

Hans Baur laid down his office as a member of the supervisory board of Porsche AG on 31 December 2011. Mr. Bernd Kruppa was appointed as his successor by the Stuttgart Local Court on 15 February 2012.

Test facilities in Italy taken over

Porsche Engineering Group GmbH took over responsibility for the Nardò Technical Center s.r.l. automobile test facilities in Apulia, southern Italy, from Prototipo SpA in May 2012. Covering an area of more than 700 hectares, the test ground includes a handling circuit and an oval circuit as well as facilities for simulating different road surfaces and weather conditions. The engineering services subsidiary of Porsche AG intends to further optimize the test facilities and make these available to clients for testing and trials purposes.

Porsche AG issues debenture bond

The Porsche AG group (Porsche AG and its subsidiaries) called a high-yield USD 1.0 billion hybrid bond in June 2012. Repayment was made on 1 August 2012. The repayment amount will be refinanced by, among other things, all cash inflows from a debenture bond of 500 million euro that was issued by Porsche AG in July 2012. This enables Porsche AG's interest expenses to be further reduced.

Significant events at the Volkswagen group

Structural and management changes at the Volkswagen group

The Volkswagen group is implementing extensive restructuring at an organizational and management level in response to the increased demands following the strong growth seen in recent years. A new “China” board of management function was created, underpinning the growing significance of the largest sales market in the world. Prof. Dr. Jochem Heizmann, the member of the group board of management responsible for commercial vehicles, heads the new function. Leif Östling, Chief Executive Officer of Scania until 31 August 2012, assumes responsibility for the commercial vehicles function on the board of management. In this context, the Volkswagen commercial vehicles brand will become part of the group’s commercial vehicles business area going forward. Dr. Georg Pachta-Reyhofen, speaker for the executive board of MAN SE, takes on additional responsibility for group-wide coordination of the industrial engines business as a member of the executive committee of the Volkswagen group. Other important changes were also made at brand level. All of the new positions were filled internally, including the appointment of three female senior managers to the brand boards of management. The extensive realignment gives the group additional momentum on the road to achieving its Strategy 2018 objectives.

Share of voting rights in MAN SE increased

Effective 6 June 2012, Volkswagen increased its share of voting rights in MAN SE, Munich, to 75.03 percent, thus taking the next step toward the creation of an integrated commercial vehicles group comprising MAN, Scania and Volkswagen commercial vehicles. The group plans to further increase its share of the voting rights in MAN SE over the coming twelve months, depending on market conditions. Volkswagen aims to strengthen cooperation between group companies in the commercial vehicles segment and is keeping all options open going forward on the future structure of an integrated commercial vehicles group, including the signing of a control and profit and loss transfer agreement. MAN will retain its operational independence and identity; MAN Power Engineering will remain an integral part.

Audi acquires motorcycle manufacturer Ducati

As of 19 July 2012, the Volkswagen group acquired 100 percent of the voting rights in motorcycle manufacturer Ducati Motor Holding S.p.A., Bologna, Italy, ("Ducati") in return for payment of a purchase price of 747 million euro, via Automobili Lamborghini S.p.A., Sant' Agata Bolognese, Italy, a subsidiary of AUDI AG. The acquisition of Ducati – a leading international manufacturer of premium motorcycles with significant expertise in high-performance engines and lightweight construction – has seen the Volkswagen group move into the growth market for high-quality motorcycles. The Ducati group sold 42,016 motorcycles in calendar year 2011, generating revenue of 479 million euro.

New group locations

The Volkswagen group opened a new vehicle plant in Yizheng in the Chinese province of Jiangsu ahead of schedule at the end of July 2012. The production facilities have an annual production capacity of around 300,000 vehicles and include a press shop, body shell production, paint shop and final assembly. It is one of the Volkswagen group's most environmentally friendly plants. Production began with the Volkswagen Polo, which will be joined by ŠKODA models in a next step.

The Volkswagen group added a new location to its Chinese production network, laying the foundation for a new gearbox plant in the Chinese city of Tianjin. The 450,000-unit capacity plant is scheduled to start production in 2014. This is expected to create over 1,500 new jobs.

As part of its growth strategy, the Volkswagen group is also increasing its production capacity in Russia. The contracts for a new engine plant to be built close to Volkswagen's Kaluga location were signed at the end of August. Designed to have an annual capacity of 150,000 engines, the plant is expected to commence production in 2015.

At the beginning of September, the Audi brand announced plans to build a new production facility in the Americas in the central Mexican city of San José Chiapa. 150,000 units of the successor to the Audi Q5 are to be produced there every year from 2016. Construction will begin in mid-2013.

In August, the Volkswagen Group of America opened a state-of-the-art research and development center in California. Drives and vehicles from several group brands will be tested and optimized here from fall 2012 before going into production. A central part of the 6,000 m^2 facility is the climate-controlled emissions lab where vehicles can be tested for exhaust emissions and performance at temperatures of down to minus 35°C.

Volkswagen Osnabrück starts production of Porsche Boxster

The first Porsche Boxster to be produced in Lower Saxony rolled off the production line at Volkswagen's Osnabrück plant on 19 September 2012 in the presence of Prof. Dr. Martin Winterkorn, chairman of the board of management of Volkswagen AG, David McAllister, Minister President of the Federal State of Lower Saxony and Matthias Müller, Chairman of the executive board of Porsche AG. Porsche manufactures the new Boxster together with the Porsche 911 at its main production facility in Stuttgart-Zuffenhausen. The decision to start production at Osnabrück was made as current capacity at Porsche's main plant is no longer sufficient. The Osnabrück plant is the competence center for convertible and small series production within the Volkswagen group. The new Golf Cabriolet has been produced here since March 2011.

Business development

Business development of the Porsche Holding Stuttgart GmbH group

Due to the contribution of the holding business operations of Porsche SE to Volkswagen AG as of 1 August 2012, the following disclosures comprise only the period from 1 January to 31 July 2012. From this date, disclosures on sales and production figures are contained in the disclosures on the Volkswagen group. The comparative period from 1 January to 30 September 2011, however, comprises nine months.

In the period from 1 January to 31 July 2012, the Porsche Holding Stuttgart GmbH group sold 81,370 vehicles. In the comparative period from 1 January to 30 September 2011, 85,872 vehicles were sold.

Between 1 January and 31 July 2012, 88,315 vehicles were produced, compared with 93,799 vehicles in the nine-month comparative prior-year period.

Business development of the Volkswagen group

Unit sales

In the period from 1 January to 30 September 2012, the Volkswagen group sold a total of 6,977,553 vehicles. Sales are therefore 12.5 percent higher than in the comparative prior-year period. Vehicle sales by the Volkswagen passenger cars brand amounted to 3,637,796 vehicles, exceeding the prior-year figure by 9.7 percent. The Passat for the US market, as well as the Touareg, Tiguan, Golf Cabriolet and Fox models recorded high growth rates. Demand for the new up! and Beetle models was also high.

Vehicle sales by the Audi brand in the reporting period amounted to 1,002,091 vehicles (prior year: 1,140,123 vehicles); the Chinese joint venture FAW-Volkswagen sold a further 247 thousand Audi vehicles. The Audi A8, Audi A7 Sportback, Audi A6, Audi Q7 and Audi Q5 models recorded the highest growth rates. Demand for the new Audi A1 Sportback and Audi Q3 models was also strong. The figures for the Lamborghini brand are already included in the key figures for the Audi brand, as are the figures for the Ducati brand after it was acquired as of 19 July 2012.

At 551,482 thousand vehicles, unit sales for the ŠKODA brand were up 7.9 percent year-on-year between January and September 2012. Demand was higher for the Octavia, Roomster and Yeti models, as well as for the Rapid in India. The SEAT brand sold 315,292 thousand vehicles (up18.3 percent) worldwide in the reporting period. This includes the Q3 manufactured for Audi. The new SEAT Mii performed well.

Unit sales for the Bentley brand improved by 29.4 percent to 6,725 vehicles in the first nine months of this year. The figures for the Porsche brand were included for the first time in the data for the Volkswagen group for August and September 2012. The brand recorded unit sales of 21,875 vehicles.

In the period from January to September 2012, Volkswagen commercial vehicles sold 330,448 vehicles, slightly more than the previous year. Demand for the Crafter, Multivan / Transporter, Caddy and the Amarok remained high. Scania brand unit sales were down 20.5 percent in the reporting period to 46,879 vehicles. Between January and September 2012, the MAN brand sold 101,287 vehicles.

The Chinese joint venture entities contributed to a total of 1,922,832 vehicles to unit sales (up 18.8 percent). The elimination of intercompany deliveries within the Volkswagen group accounts for 959,154 vehicles.

Regional differences

Volkswagen group vehicle sales in the Europe/Remaining markets region amounted to 3,151,137 vehicles in the reporting period. Sales were therefore higher than in the corresponding prior-year period, when they totaled 3,052,446. In North America, unit sales increased by 37.6 percent to 663,381 units. Unit sales in South America increased by 10.1 percent in comparison to the prior year, coming to 778,152 vehicles. Including the joint ventures in China, the Volkswagen group sold 2,384,883 vehicles on the passenger car markets in the Asia Pacific region over the period from 1 January to 30 September 2012 (up 21.8 percent).

Production

The Volkswagen group produced 6,974,154 vehicles worldwide in the reporting period, 10.7 percent up on the previous year.

Employees

As of 30 September 2012, the Porsche SE group had 27 employees.

The Volkswagen group had 549,294 employees worldwide at the end of the reporting period. In addition to the establishment of new production facilities and the expanded production volume in Germany and abroad, this 9.4 percent increase as against the number of employees as of 31 December 2011 is primarily due to the consolidation of Porsche AG on 1 August 2012. A total of 248,402 people were employed in Germany (up10.5 percent), accounting for 45.2 percent of the total headcount.

Results of operations, net assets and financial position

Porsche SE contributed its holding business operations and thus also its 50.1 percent investment in Porsche Holding Stuttgart GmbH (formerly operating under the name Porsche Zweite Zwischenholding GmbH) to Volkswagen AG with economic effect as of 1 August 2012. Volkswagen AG now directly holds 100 percent of the shares in Porsche Holding Stuttgart GmbH and thus now indirectly holds 100 percent of the shares in Porsche AG.

Results of operations

In the period from 1 January to 30 September 2012, the Porsche SE group generated a profit after tax of 7,421 million euro, which was significantly influenced by the contribution of Porsche SE's holding business operations to Volkswagen AG. The contribution transaction, taking into consideration the updated underlying valuation assumptions as of the contribution date, resulted in a one-time positive effect on earnings of 4.75 billion euro in the consolidated financial statements. This effect on earnings is primarily attributable to the income from the contribution of the business operations itself (3.4 billion euro) and to the positive effect on the profit from investments accounted for at equity (1.3 billion euro).

Other operating income of 3,840 million euro for the first nine months of the fiscal year 2012 mainly contains income from the contribution of the business operations of 3.4 billion euro. In addition, it includes the effect from the valuation of the call option relating to the remaining shares held by Porsche SE in Porsche Holding Stuttgart GmbH until 31 July 2012 totaling 405 million euro.

The other operating expenses in particular contain the effect from the valuation of the call option relating to the remaining shares held by Porsche SE in Porsche Holding Stuttgart GmbH until 31 July 2012 totaling 200 million euro. The put and call options had to be valued through profit or loss for the last time as of 31 July 2012 and were transferred to Volkswagen AG as of 1 August 2012 as part of the contribution of the holding business operations. They were therefore derecognized by Porsche SE and are correspondingly included in the positive effect on earnings from the contribution.

Profit from investments accounted for at equity comes to 3,888 million euro. It contains the profit attributable to the Porsche SE group that was generated by the Volkswagen group for the first nine months of the fiscal year 2012 and by the Porsche Holding Stuttgart GmbH group from 1 January 2012 to 4 July 2012. Due to the resolution of the executive board and the approval of the competent bodies on 4 July 2012 regarding the contribution of the holding business operations of Porsche SE to Volkswagen AG, accounting for the investment in Porsche Holding Stuttgart GmbH at equity had to cease in accordance with IFRS 5. The profit from investments accounted for at equity contains effects from the contribution of the holding business operations of 1.3 billion euro. This consists of 1.5 billion euro attributable to the Volkswagen group and minus 0.2 billion euro attributable to the Porsche Holding Stuttgart GmbH group due to the recycling of the income and expenses previously recognized directly in equity. The contributions to profit of both investments also include effects from the subsequent measurement of the purchase price allocations performed at the time of inclusion of Porsche Holding Stuttgart GmbH as a joint venture and Volkswagen AG as an associate, i.e., the subsequent measurement of hidden reserves and liabilities identified in the process within this context. These have negatively influenced the profit from investments accounted for at equity – and therefore the Porsche SE group's profit after tax – by some 267 million euro.

The financial result, which primarily contains expenses and income from loans, came to minus 26 million euro in the reporting period. In addition, as the accounting for the investment in

Porsche Holding Stuttgart GmbH at equity ceased in July 2012, the financial result contains the dividend of 13 million euro received from Porsche Holding Stuttgart GmbH in July 2012.

The profit before tax totals 7,426 million euro. The tax expense in the first nine months of the 2012 fiscal year amounts to 5 million euro. Overall, Porsche SE generated a profit after tax of 7,421 million euro at group level.

Net assets

Due to the contribution of the holding business operations and the repayment in full of the liabilities to banks, the Porsche SE group's total assets have decreased by 3,219 million euro, from 32,965 million euro as of 31 December 2011 to 29,746 million euro as of 30 September 2012.

As of 30 September 2012, the non-current assets of the Porsche SE group essentially comprise the investment accounted for at equity in Volkswagen AG of 26,030 million euro. The increase in the carrying amount is primarily attributable to the profit of the Volkswagen group. Non-current assets fell overall in comparison with 31 December 2011 due to the contribution of the investment in Porsche Holding Stuttgart GmbH, of loan receivables due from companies of the Porsche Holding Stuttgart GmbH group and of the put option on the remaining shares held by Porsche SE in Porsche Holding Stuttgart GmbH until 31 July 2012.

Current assets essentially consist of cash and cash equivalents, which increased considerably in comparison with 31 December 2011 due to the consideration received from Volkswagen AG, even following repayment of the liabilities to banks, as well as of income tax assets.

As a result of the profit after tax for the first nine months of the fiscal year 2012, the equity of the Porsche SE group increased considerably. This was partially offset by the disposal of the hybrid capital, which had a carrying amount of 297 million euro as of 31 December 2011, as a result of the contribution of the holding business operations. The equity of the Porsche SE group totaled 28,701 million euro as of 30 September 2012 (31 December 2011: 21,645 million euro).

Non-current liabilities have decreased significantly compared with 31 December 2011, particularly due to the contribution of the call option for the remaining shares held by Porsche SE in Porsche Holding Stuttgart GmbH until 31 July 2012 and of financial liabilities to companies belonging to the Porsche Holding Stuttgart GmbH group, and as a result of the repayment of the liabilities to banks. As a result of the deconsolidations to be performed due to the contribution, a loan of 300 million euro due to Porsche Holding Finance plc, a former subsidiary of Porsche SE, had to be included in the consolidated balance sheet under non-current financial liabilities. Prior to the contribution of the holding business operations, this loan was eliminated as an intercompany transaction.

Financial position

As consideration for the contribution of its holding business operations to Volkswagen AG, Porsche SE received a cash amount of 4.5 billion euro, in addition to one new ordinary Volkswagen AG share. Part of the consideration received was used to repay in full bank loans of 2.0 billion euro. A further cash outflow of 149 million euro resulted from the repayment in August 2012 of a debenture loan agreed with Qatar Holding LLC, Doha, Qatar, in the fiscal year 2009/2010. Taking into account the loan of 300 million euro due to Porsche Holding Finance plc clearly positive net liquidity of 2,589 million euro exists as of 30 September 2012. As of 31 December 2011, the corresponding figure had been minus 1,522 million euro.

Operating result of significant investments

The following statements relate to the ongoing operating business of the Porsche Holding Stuttgart GmbH group and the Volkswagen group. Effects from inclusion in the consolidated financial statements of Porsche SE, i.e., particularly relating to the subsequent measurement of the hidden reserves and liabilities identified in the course of the purchase price allocations, are not taken into consideration. The disclosures for the Porsche Holding Stuttgart GmbH group pertain to the period from 1 January to 31 July 2012.

The Porsche Holding Stuttgart GmbH group sold 81,370 vehicles in the period from 1 January to 31 July 2012. Revenue amounted to 7,987 million euro. The operating result of the Porsche Holding Stuttgart GmbH group for the first seven months of the fiscal year 2012 amounted to 1,478 million euro.

The Volkswagen group sold 6,977,553 vehicles in the period from 1 January to 30 September 2012. With revenue of 144,226 million euro in that period, the operating result came to 8,835 million euro.

New models

The Porsche Holding Stuttgart GmbH group launched no new models in the period from 1 July to 31 July 2012. New launches from 1 August 2012 are contained in the reporting of the Volkswagen group.

In the third quarter of 2012, brands of the Volkswagen group presented a range of models at the Moscow, Hanover and Paris motor shows. The highlight was the world premiere of the new Golf in Berlin.

World premiere of the new Golf

The Volkswagen passenger cars brand unveiled the new Golf to the public at the beginning of September 2012. Around 1,000 invited guests experienced the world premiere of the seventh generation in Berlin's New National Gallery. This provided a fitting backdrop for the car that has defined an entire vehicle class, and has been optimized in terms of its weight, emissions, comfort and safety.

The new Golf is up to 100 kg lighter and 23 percent more efficient than its bestselling predecessor, as well as safer, more comfortable, dynamic and spacious. It is based on the Modular Transverse Toolkit (MQB), which translates to an all-new design – from the chassis and drivetrain through all information and entertainment systems, down to a large number of new assistance systems. On the outside, the Golf features timeless design cues with horizontal front lines, a pronounced C-pillar and perfectly formed, minimalist styling. Meticulous, high-quality exterior and interior details complete the look.

The base model of the new Golf is equipped with seven airbags, electronic stability control (ESC), the new multi-collision brake, an electronic parking brake with Auto Hold and the XDS transversal differential lock. The completely re-engineered generation of petrol and diesel motors features a start-stop system and battery regeneration mode as standard. With CO_2 emissions of only 85 g/km and average fuel consumption of 3.2 liter of diesel per 100 km, the new Golf BlueMotion is setting new benchmarks for its vehicle class and represents a clear move towards environmentally-friendly mobility. The German market launch of the new Golf is scheduled for 10 November 2012.

Moscow International Automobile Salon

Czech brand ŠKODA underlined its growth ambitions in Russia with a strong presence at the Moscow motor show. Among the models on show was the ŠKODA Yeti Sochi, a tribute to the 2014 Winter Olympics. The special edition marries special Winter Games branding with a wide range of features, all-wheel drive, high-performance engine and an automatic six-speed direct shift gearbox. The market launch is scheduled for 2013.

SEAT presented its range of models for the Russian market. The main focus was the Alhambra, which is set to join the product portfolio from the fall.

A highlight for the Bentley brand was the motor show debut of the new Continental GT Speed – the fastest street-legal sports car ever built by Bentley. The Mulsanne Executive Interior and the Continental GT V8 models, on show in Russia for the first time, also attracted considerable attention.

The highlight of the Porsche stand, the youngest group brand, was the Cayenne GTS. The sporty SUV combines maximum dynamics with everyday practicality, exclusive design and luxurious features.

IAA Commercial Vehicles show in Hanover

The largest commercial vehicles show in the world was dominated by efficient and environmentally-friendly transport solutions, with the focus on the introduction of the new Euro 6 emission standard.

Under the motto “Diversity for every job”, the Volkswagen commercial vehicles brand presented its wide range of models, focusing on BlueMotion and all-wheel drive technology, as well as the large number of modification and upgrade options available for all of its series. Highlights of the brand’s showing included the Amarok Canyon and the Cross Caddy. The Amarok Canyon special edition, which was showcased as a concept car in Geneva in the spring, impressed visitors with its bold colors, light bar with four additional spotlights on the roof and extra visual accents. The TDI engine features permanent or selectable all-wheel drive as standard and an optional locking differential on the rear axle for maximum offroad performance. The Cross Caddy will join Volkswagen’s Cross lifestyle family in 2013. Individual exterior elements such as black-lipped wheel arches and silver underrun protection reinforce the model’s offroad look. Other highlights included the motor show debuts of the Caddy Edition 30, the most powerful Caddy yet, the Transporter Edition and the Life multivan.

Scania showcased innovative and efficient transport solutions in Hanover. The focus was on nine and 13 liter diesel engines, as well as two new high-performance gas engines, all of which comply with the Euro 6 emission standard. Scania’s construction vehicles – designed for use in the toughest conditions – celebrated their motor show debut. Rounding off the brand’s display were pioneering driver support technologies and special driver training to optimize fuel consumption.

The introduction of the new Euro 6 emission standard was also a central topic for MAN at the commercial vehicles show. The new TG family of trucks celebrated its world premiere. These produce virtually zero harmful emissions and boast fuel consumption just as low as their particularly efficient predecessors. Visitors were also impressed by the new premium Neoplan Jetliner, which can be used as both a municipal bus and coach, making it particularly cost-effective.

Mondial de l’Automobile in Paris

The Volkswagen passenger cars brand presented the Golf BlueMotion and the Golf GTI concept cars for the first time at the Paris Motor Show; these will come onto the market in summer and spring 2013, respectively. The GTI is powered by a two-liter turbocharged direct-injection petrol engine and has a maximum output of 162 kW (220 hp). This can be boosted to 169 kW (230 hp) with the optional factory-installed performance pack. Both versions meet the Euro 6 emission standard, which comes into force in 2014. Average fuel consumption has been cut by 18 percent compared with the previous model. The progressive steering system that allows the driver to turn the car through a desired radius with fewer turns of the steering wheel is new.

Audi captivated motor show visitors with several world premieres in Paris. Alongside the Audi S3, the RS5 Cabriolet and the SQ5 TDI exclusive concept, the first S model with a diesel engine, the brand presented the new Audi A3 Sportback. This sets new standards in infotainment and driver assistance systems in the premium compact vehicle segment. It also features a pioneering low weight and efficient engines. Compared with its predecessor, it is 90 kg lighter and consumes 10 percent less fuel. Audi gave visitors a glimpse into the future of compact SUVs with its most spectacular new model – the crosslane coupé concept. It previews the design language of the future Q family and is another building block in the e-tron strategy with its innovative plug-in hybrid system.

ŠKODA introduced the new Rapid to the world. A version designed specifically for the Indian market has been available there since the end of 2011. The European market launch of the compact saloon, which complements the model range between the Fabia and Octavia, is scheduled for mid-October 2012.

The highlight for the SEAT brand was the unveiling of the new Leon. The completely redesigned model is the first to feature the brand's modernized logo in line with its new design language and represents the continuation of SEAT's product offensive. It is based on the Modular Transverse Toolkit and is packed with high-end technology, from the assistance and information systems through the chassis, and down to the drivetrain.

Lamborghini captivated motor show visitors with the new design of its most successful super sports car ever – the Lamborghini Gallardo. The updated front and rear of the Gallardo LP 560-4 are characterized by the triangular and trapezoidal shapes typical of Lamborghini's design language.

The Panamera Sport Turismo concept was the focus of attention at the Porsche brand's stand. The study marries premium-segment dimensions with luxury interior comfort. The concept vehicle features a plug-in hybrid powertrain with an output of up to 306 kW (416 hp). Its fuel consumption of under 3.5 l/100 km and CO_2 emissions of less than 82 g/km do not come at the expense of driving pleasure – the Panamera Sport Turismo can accelerate from 0 to 100 km/h in less than six seconds. The large central TFT color display allows the driver to call up and display a wide range of information – from the tachometer to driving data and navigation.

Updating the risk assessment

Opportunities and risks at Porsche SE

The report on opportunities and risks at Porsche SE in the annual report of Porsche SE for the fiscal year 2011 must be updated as of the time of publishing this interim report with regard to the statements on the current status of the legal proceedings. We refer to the section "Significant events" in this interim report.

Due to the accelerated creation of the Integrated Automotive Group, the risk management of the Porsche SE group was adjusted. In the future, it will consist of two autonomous risk management subsystems. One system is at the level of Volkswagen AG. Since 1 August 2012, this also covers the relevant risks at the level of the Porsche Holding Stuttgart GmbH group. The second subsystem, the risk management system at the level of Porsche SE, continues to monitor the direct risks of Porsche SE as a single entity and the risks at the level of its subsidiaries.

The contribution of the holding business operations of Porsche SE to Volkswagen AG also has an influence, as shown below, on the other risks that Porsche SE sees itself exposed to (for further information on this transaction, we refer to the "Significant events" section in this interim report).

Risks originating from the capital and credit markets

Some of the cash received by Porsche SE on contributing its holding business operations to Volkswagen AG was used to repay the previously utilized syndicated loan of 2.0 billion euro. Potential risks from floating-rate debt capital therefore no longer exist following the repayment.

Liquidity risk

In return for the contribution of its holding business operations to Volkswagen AG, Porsche SE received a cash amount of 4.5 billion euro, in addition to one new ordinary Volkswagen AG share. As a result, Porsche SE has a clearly positive net liquidity.

In addition, the company will continue to have a currently undrawn revolving line of credit at its disposal. In accordance with the applicable terms of the syndicated loan agreement of October 2011, this line has decreased as a result of the repayment of the utilized syndicated loan from a maximum of 1.5 billion euro to a maximum of 1.0 billion euro. The maturity date of 30 November 2013, and the options to extend the loan such that under certain circumstances the maturity date may be prolonged until 30 June 2015 in two steps, remains unaffected.

In connection with existing liabilities, there is the general risk that Porsche SE may not be in position to repay these when they fall due. Considering the financial situation of the company, the executive board has assessed this risk as currently not relevant.

Risks originating from financial covenants

The reduction of the syndicated loan from a total of up to 3.5 billion euro to a maximum of 1.0 billion euro has had a positive effect on the financial covenants agreed between Porsche SE and various lenders. These still have to be complied with, even if the 1.0 billion euro line of credit available to Porsche SE is not currently utilized. Compliance with the covenants is continuously monitored.

The executive board continues to see no indication that these covenants will not be met in the future.

Valuation risk

The share in Porsche's business operations, and thus in the Porsche Holding Stuttgart GmbH group, was a particular part of the contribution of the holding business operations of Porsche SE to Volkswagen AG. Following the execution of the contribution, potential risks arising from the impairment of this share will no longer affect Porsche SE directly, but only indirectly via the investment in Volkswagen AG. Accordingly, the regular valuations performed by Porsche SE in the future and monitoring of assessments made by analysts for early detection of a possible impairment pertain only to the investment in Volkswagen AG.

Risk arising from the use of financial instruments

Up to the contribution of Porsche SE's holding business operations to Volkswagen AG, most of the Porsche SE group's receivables were due from companies in the Porsche Zwischenholding GmbH group. As part of the contribution, these receivables were transferred directly or indirectly to Volkswagen AG. As a result, there will be no direct default risk for Porsche SE in the future.

Following receipt of the consideration of 4.5 billion euro from Volkswagen AG and the repayment in full of the utilized syndicated loan, Porsche SE intends to use the major portion of the liquidity remaining to acquire strategic investments focusing along the automotive value chain. Due to the investment of this cash in the interim, there can be counterparty risks and interest rate risks, similar to the risks pertaining to other cash and cash equivalents. To mitigate the risk, Porsche SE monitors the creditworthiness of the counterparties. Moreover, the cash is invested with different counterparties in order to spread risk.

In addition to the share in Porsche's business operations, and thus in the Porsche Holding Stuttgart GmbH group, the put and call options relating to the shares in Porsche Holding Stuttgart GmbH previously remaining at Porsche SE were a particular part of the contribution of the holding business operations of Porsche SE to Volkswagen AG. The put and call options terminated with the execution of the transaction. These therefore have no further effects on the net assets and results of operations of the Porsche SE group since the date of the contribution. Correspondingly, risks that have hitherto existed from these options, which both companies granted each other, no longer exist. The retention mechanism agreed with Volkswagen AG within the scope of the option agreement has expired.

The use of fixed-interest financial liabilities results in the risk of the fair value of these liabilities changing due to changes in market interest rates. There is also the risk of the fair value changing due to changes in market interest rates with regard to cash and cash equivalents invested by Porsche SE at a fixed interest rate, although the risk is already considerably mitigated by the short-term nature of the investment. In both cases, there are no effects on the results of operations, net assets and financial position.

Porsche SE’s executive board now expects the risks arising from the use of financial instruments to be low overall.

Opportunities and risks of cooperation projects

Following the implementation of the Integrated Automotive Group, the opportunities and risks of cooperation projects only affect Porsche SE through the investment in Volkswagen AG. Porsche AG and Volkswagen AG will be able to leverage synergies in their operating business at an earlier stage and cooperate more easily following execution of the transaction. Porsche SE, as the largest shareholder in Volkswagen AG, will significantly benefit from this.

Tax risk

The contribution of the holding business operations of Porsche SE to Volkswagen AG is generally associated with tax risks. To safeguard the transaction from a tax point of view, and thus avoid subsequent taxes for the spin-offs performed in the past, binding information was obtained from the competent tax authorities. Porsche SE implemented the necessary measures to execute the contribution transaction in accordance with the binding information received and is monitoring compliance with them.

Porsche SE's executive board therefore considers the tax risk from these transactions to be extremely low.

Opportunities and risks in the Volkswagen group

There were no significant changes to the opportunity and risk position of the Volkswagen group detailed in the section "Opportunities and risks of the Volkswagen group" contained in Porsche SE's 2011 annual report.

Outlook

Anticipated development of the Volkswagen group

The Volkswagen group's main competitive advantages are its multibrand strategy, a range of vehicles that covers almost all segments from subcompact cars to heavy trucks and its growing presence in all major regions of the world, together with its wide range of financial services. Thanks to its expertise in technology and design, the Volkswagen group has a diverse, attractive and environmentally friendly portfolio of products that meets all customer desires and needs. This has become even more attractive thanks to the integration of Porsche, with its offering of exclusive sports cars. In the remaining months of 2012, the Volkswagen group's brands will again launch fascinating new models and so help further expand its strong position in the global markets. As a result, the Volkswagen group expects to increase deliveries to customers year-on-year. 2012 will be dominated by the start of production for new, high-volume models as part of the renewal of the group's product range and the need to convert its plant and equipment for use with the Modular Transverse Toolkit. The modular toolkit system, which is being continuously updated, will have an increasingly positive effect on the group's cost structure in the future.

The Volkswagen group's 2012 revenue will exceed the prior-year figure. This will also be a result of the consolidation of MAN SE as of 9 November 2011; the write-downs that will be required for purchase price allocation mean that no positive earnings contribution is expected. The increase in sales revenue attributable to the consolidation of Porsche effective 1 August 2012 is expected to be low due to consolidation effects. The high initial depreciation and amortization expense from purchase price allocation is expected to largely offset Porsche's contribution to earnings in operating profit for the fiscal year.

The goal for operating profit is to match the 2011 level. Positive effects from the attractive Volkswagen model range and strong market position of the Volkswagen group will be offset in part by increasingly stiff competition in a challenging market environment, especially in certain European countries. Disciplined cost and investment management and the continuous optimization of processes remain core components of the Volkswagen group's Strategy 2018.

Anticipated development of the Porsche SE group

From the end of 2009, the Porsche SE group's earnings were decisively influenced by the profit/loss from investments accounted for at equity attributable to the investments in Porsche Holding Stuttgart GmbH and Volkswagen AG. In addition, non-cash special effects on earnings from the adjustment of the valuation of the put and call options agreed between Porsche SE and Volkswagen AG for the shares in Porsche Holding Stuttgart GmbH remaining with Porsche SE until the execution of the contribution of the holding business operations of Porsche SE to Volkswagen AG on 1 August 2012 had a substantial effect on Porsche SE's earnings in some cases.

Due to the decision to contribute the holding business operations, Porsche Holding Stuttgart GmbH ceased to be accounted for at equity in July 2012, with the result that no further profit/loss from investments accounted for at equity has been attributable to Porsche SE from this investment since July 2012. Since that time, the profit/loss from investments accounted for at equity has only been influenced by the investment in Volkswagen AG. The put and call options relating to the shares in Porsche Holding Stuttgart GmbH remaining at Porsche SE until the execution of the transaction were also contributed to Volkswagen AG. These options therefore have no further effects on the results of operations and net assets of the Porsche SE group since 1 August 2012.

The contribution transaction resulted in a one-time positive effect on earnings totaling 4.75 billion euro in the consolidated financial statements of Porsche SE.

Following the execution of the contribution, Porsche SE's shareholding in the total capital of Volkswagen AG remains unchanged at around 32.2 percent. Since then, Porsche SE has indirectly benefited from the earnings situation of the Porsche Holding Stuttgart GmbH group and from the realization of the full synergy potential of the Integrated Automotive Group via the profit/loss from investments accounted for at equity attributable to Volkswagen AG.

In the remaining months of the 2012 fiscal year, the profit/loss of the Porsche SE group will be very significantly impacted by the profit/loss from the investment in Volkswagen AG accounted for at equity. In view of the Volkswagen group's expectations regarding future developments, and taking into account the positive effect already recognized from the contribution transaction, Porsche SE expects the profit/loss attributable to it from investments accounted for at equity to be clearly positive in the fiscal year 2012. However, this will continue to be reduced by effects from the subsequent measurement of the purchase price allocation performed in 2009.

After repayment in full of the liabilities to banks in August 2012, Porsche SE is almost free of debt. This will lead to a further significant reduction in Porsche SE's finance costs in the future.

Taking into account the one-time positive effect on earnings from the contribution of its holding business operations to Volkswagen AG, Porsche SE therefore continues to expect an overall group profit after tax in the high single-digit billion-euro range for the fiscal year 2012.

Porsche SE intends to use the major portion of its current liquidity for strategic investments, focusing along the automotive value chain.

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