

Annual Report

2015

Key figures

		2015 IFRS	2014 IFRS	2013 IFRS
Porsche SE Group				
Total assets	€ million	27,626	30,157 ¹	31,285
Shareholders' equity	€ million	27,112	29,187 ¹	30,470
Investments accounted for at equity	€ million	25,609	27,405 ¹	28,222
Profit/loss from investments accounted for at equity	€ million	-436	3,441 ¹	2,710
Personnel expenses	€ million	15	15	16
Financial result	€ million	19	-76	-69
Profit/loss before tax	€ million	-456	3,294 ¹	2,591
Profit/loss for the year	€ million	-273	3,035 ¹	2,408
Earnings per ordinary share ²	€	-0.90	9.90 ¹	7.86
Earnings per preference share ²	€	-0.89	9.91 ¹	7.87
Net liquidity	€ million	1,704	2,267	2,612
Employees on 31 December		32	31	35

		2015 HGB	2014 HGB	2013 HGB
Porsche SE				
Net profit	€ million	871	193	234
Net profit available for distribution	€ million	436	615	615
Dividend per ordinary share	€	1.004 ³	2.004	2.004
Dividend per preference share	€	1.010 ³	2.010	2.010

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8

² Basic and diluted

³ Proposal to the annual general meeting of the Porsche SE

PORSCHE SE

Core Investment

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

VOLKSWAGEN

AKTIENGESELLSCHAFT



Volkswagen



Audi



SEAT



BENTLEY



BUGATTI



LAMBORGHINI



PORSCHE



DUCATI



Commercial
Vehicles



SCANIA



MAN

VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

Further Investment

Share of total capital: ~ 10 %





2015

“Porsche SE is unreservedly committed to its role
as Volkswagen AG’ s long-term anchor shareholder.”

Hans Dieter Pötsch

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A photograph of a car's interior, showing the steering wheel, dashboard, and seats. A large, semi-transparent number '3' is overlaid on the image.

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To our shareholders







EFFICIENCY
602 Wh/KM
RANGE
25 KM

508
RPM

100

0
KM/H

PRND

25
KM

+R 215 KM

CALL
JAMES BLAKE

START





To our shareholders

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Letter to our shareholders

Dear shareholders,

The fiscal year 2015 did not develop as we had hoped and expected. While our company, Porsche Automobil Holding SE (Porsche SE), had benefited from the good Volkswagen figures in earlier years, in 2015 it was unable to avoid the effects of the emissions issue at Volkswagen AG. However, there is one thing I would like to make very clear: Porsche SE is unreservedly committed to its role as Volkswagen AG's long-term anchor shareholder. We remain convinced that Volkswagen and, consequently, our company have long-term potential for increasing value added. We underscored this clear commitment last September with the acquisition of 1.5 percent of the Volkswagen ordinary shares from Suzuki. Even following this transaction with a value in the mid-three-digit millions, Porsche SE showed markedly positive net liquidity of 1.70 billion euro as of 31 December 2015.

Volkswagen Group's loss after tax for the fiscal year 2015 decreased as a result of the emissions issue to 1.36 billion euro. In particular as a result of this development our company's loss from investments accounted for at equity came to 436 million euro. The group loss before tax of Porsche SE decreased to 456 million euro. As a result of the tax refund in the fourth quarter of 2015, loss for the year came to 273 million euro.

The events at Volkswagen AG have made themselves felt not only in Porsche SE's figures. After the emissions issue came to light, Prof. Dr. Winterkorn assumed political responsibility and resigned as chairman of the board of management of Volkswagen AG and also, shortly later, as chairman of the executive board of our company. During his six years as chairman of the executive board, he made a significant contribution to stabilizing and realigning Porsche SE. The supervisory board appointed me as his successor at Porsche SE, while I continue in my original function as Chief Financial Officer.

On the legal side, Porsche SE achieved further important successes in the past year and in the first months of 2016. In its judgment of 18 March 2016, the Regional Court of Stuttgart acquitted not only the former members of the executive board Dr. Wendelin Wiedeking and Holger Härter of all allegations of market manipulation, but also Porsche SE, which was involved in the criminal proceedings as a secondary party. Before the verdict of the chamber responsible for economic offenses, hedge funds and private



Hans Dieter Pötsch
Chairman of the executive board

investors that had brought claims had already lost six times consecutively before the respective civil courts. The judgment in the criminal proceedings now gives us tailwind for the other civil proceedings that are still pending.

In the past fiscal year, as in prior years, we continued our search for investments to complement our core investment in Volkswagen. Several companies were analyzed and a series of due diligence reviews performed. In addition, we supported the investment of Audi, BMW and Daimler in Nokia HERE. Through our activities, we have gained a wealth of experience that is of value both for Porsche SE and for the Volkswagen Group. We are in constant close contact with the strategy and development experts of the Volkswagen Group. We continue to observe the entire automotive value chain and reserve the right to respond flexibly to and invest in any opportunities that arise.

In recent years, we had always emphasized that a sustainable dividend policy is important for Porsche SE. However, in light of the developments in the Volkswagen Group and its greatly reduced proposed dividend, the executive board and supervisory board of Porsche SE consider a dividend per preference share of 1.010 euro to be appropriate. Holders of ordinary shares will receive 1.004 euro per share. The total amount for distribution is around 308 million euro. We will present this proposed dividend for decision to the annual general meeting on 29 June 2016 in Stuttgart.

Based on the current group structure, and particularly in view of the Volkswagen Group's expectations concerning its future development, Porsche SE expects a group profit for the year of between 1.4 billion euro and 2.4 billion euro for the fiscal year 2016. In addition, we aim to achieve positive net liquidity, which is expected to be between 1.0 billion euro and 1.5 billion euro as of 31 December 2016, not taking into account future investments. Even in an environment that remains characterized by uncertainty, Porsche SE will maintain its chosen course. And we continue to count on your trust and support in the fiscal year 2016.

A handwritten signature in blue ink that reads "Hans Dieter Pötsch". The signature is written in a cursive, slightly stylized font.

Hans Dieter Pötsch

Company boards of Porsche Automobil Holding SE and their appointments

Members of the supervisory board

Dr. Wolfgang Porsche

Diplomkaufmann

Chairman

Appointments:

- Dr. Ing. h.c. F. Porsche AG, Stuttgart (chairman)
- Volkswagen AG, Wolfsburg
- AUDI AG, Ingolstadt
- Porsche Holding Gesellschaft m.b.H., Salzburg
- Familie Porsche AG Beteiligungsgesellschaft, Salzburg (chairman)
- Porsche Cars Great Britain Ltd., Reading
- Porsche Cars North America Inc., Wilmington
- Porsche Ibérica S.A., Madrid
- Porsche Italia S.p.A., Padua
- Schmittenhöhebahn Aktiengesellschaft, Zell am See

Uwe Hück*

Deputy chairman

Deputy chairman of the SE works council
of Porsche Automobil Holding SE

Chairman of the group and general works council

of Dr. Ing. h.c. F. Porsche AG

Chairman of the works council

Zuffenhausen / Ludwigsburg / Sachsenheim

Appointments:

- Dr. Ing. h.c. F. Porsche AG, Stuttgart (deputy chairman)
- Volkswagen AG, Wolfsburg

* Employee representative

As of 31 December 2015 or as of the date of departure from
the supervisory board of Porsche Automobil Holding SE

- Membership in German statutory supervisory boards
- Comparable appointments in Germany and abroad

Berthold Huber*

President IndustriALL Global Union

Appointments:

- AUDI AG, Ingolstadt (deputy chairman)

Prof. Dr. Ulrich Lehner

Member of the shareholders' committee
of Henkel AG & Co. KGaA

Appointments:

- Deutsche Telekom AG, Bonn (chairman)
- E.ON SE, Düsseldorf (deputy chairman)
- ThyssenKrupp AG, Essen (chairman)
- Henkel AG & Co. KGaA, Düsseldorf

Peter Mosch*

Member of the SE works council
of Porsche Automobil Holding SE
Chairman of the AUDI AG general works council

Appointments:

- Volkswagen AG, Wolfsburg
- AUDI AG, Ingolstadt
- Audi Pensionskasse-Altersversorgung der
AUTO UNION GmbH, VVaG, Ingolstadt

Bernd Osterloh*

Chairman of the SE works council
of Porsche Automobil Holding SE
Chairman of the general and group works council
of Volkswagen AG

Appointments:

- Autostadt GmbH, Wolfsburg
- Volkswagen AG, Wolfsburg
- Wolfsburg AG, Wolfsburg
- Porsche Holding Gesellschaft m.b.H., Salzburg
- Allianz für die Region GmbH, Braunschweig
- VfL Wolfsburg-Fußball GmbH, Wolfsburg
- Volkswagen Immobilien GmbH, Wolfsburg
- Volkswagen Truck & Bus GmbH, Braunschweig
- SEAT, S.A., Martorell
- ŠKODA Auto a.s., Mladá Boleslav

Hon.-Prof. Dr. techn. h.c. Ferdinand K. Piëch
Diplom-Ingenieur ETH

Dr. Hans Michel Piëch
Attorney at law

Appointments:

- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- Volkswagen AG, Wolfsburg
- AUDI AG, Ingolstadt
- Porsche Holding Gesellschaft m.b.H., Salzburg
- Porsche Cars Great Britain Ltd., Reading
- Porsche Cars North America Inc., Wilmington
- Porsche Ibérica S.A., Madrid
- Porsche Italia S.p.A., Padua
- Volksooper Wien GmbH, Vienna
- Schmittenhöhebahn Aktiengesellschaft, Zell am See

Hans-Peter Porsche
(since 25 March 2015)
Engineer

Appointments:

- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- FAP Beteiligungen AG, Salzburg (chairman)
- Familie Porsche AG Beteiligungsgesellschaft, Salzburg (deputy chairman)
- Porsche Holding Gesellschaft m.b.H., Salzburg

Dr. Ferdinand Oliver Porsche
Investment management

Appointments:

- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- Volkswagen AG, Wolfsburg
- AUDI AG, Ingolstadt
- Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Ludwigsburg
- Porsche Holding Gesellschaft m.b.H., Salzburg
- PGA S.A., Paris
- Volkswagen Truck & Bus GmbH, Braunschweig

Hansjörg Schmierer*
Managing director of IG Metall, Stuttgart

Appointments:

- Dr. Ing. h.c. F. Porsche AG, Stuttgart

* Employee representative

As of 31 December 2015 or as of the date of departure from the supervisory board of Porsche Automobil Holding SE

- Membership in German statutory supervisory boards
- Comparable appointments in Germany and abroad

Werner Weresch*

Member of the SE works council of
Porsche Automobil Holding SE
Member of the group works council and member
of the general works council of
Dr. Ing. h.c. F. Porsche AG
Deputy chairman of the works council
Zuffenhausen / Ludwigsburg / Sachsenheim
Head of shop stewards' committee

Appointments:

- Dr. Ing. h.c. F. Porsche AG, Stuttgart

His Excellency Sheikh Jassim bin**Abdulaziz bin Jassim Al-Thani**

(until 24 March 2015)

Member of the following boards

Appointments:

- o Qatar Foundation Endowment Executive Committee, Doha (chairman)
- o Qatar National Bank, Doha (deputy chairman)
- o Qatar Foundation, Doha
- o InvestCorp, Manama

List of all current committees of the supervisory board of Porsche Automobil Holding SE and their members

Executive committee:

- Dr. Wolfgang Porsche (chairman)
- Uwe Hück (deputy chairman)
- Bernd Osterloh
- Dr. Hans Michel Piëch

Audit committee:

- Prof. Dr. Ulrich Lehner (chairman)
- Uwe Hück (deputy chairman)
- Bernd Osterloh
- Dr. Ferdinand Oliver Porsche

Nominations committee:

- Dr. Wolfgang Porsche (chairman)
- Dr. Hans Michel Piëch (deputy chairman)
- Prof. Dr. Ferdinand K. Piëch
- Dr. Ferdinand Oliver Porsche

Investment committee:

- Dr. Wolfgang Porsche (chairman)
- Uwe Hück (deputy chairman)
- Prof. Dr. Ferdinand K. Piëch
- Bernd Osterloh

Members of the executive board

Hans Dieter Pötsch

Chairman of the executive board
of Porsche Automobil Holding SE
Chief Financial Officer
of Porsche Automobil Holding SE

Chairman of the supervisory board
of Volkswagen AG

Appointments:

- Volkswagen AG, Wolfsburg (chairman)
- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- AUDI AG, Ingolstadt
- Autostadt GmbH, Wolfsburg (chairman)
- Bertelsmann SE & Co. KGaA, Gütersloh
- Bertelsmann Management SE, Gütersloh
- Porsche Holding Gesellschaft m.b.H., Salzburg (chairman)
- Porsche Austria Gesellschaft m.b.H., Salzburg (chairman)
- Porsche Retail GmbH, Salzburg (chairman)
- Volkswagen Truck & Bus GmbH, Braunschweig
- VfL Wolfsburg-Fußball GmbH, Wolfsburg (deputy chairman)

Dr. Manfred Döss

(since 1 January 2016)

Legal affairs and compliance
Member of the executive board
of Porsche Automobil Holding SE

As of 31 December 2015 or as of the date of departure from
the executive board of Porsche Automobil Holding SE

- Membership in German statutory supervisory boards
- Comparable appointments in Germany and abroad

Matthias Müller

Strategy and corporate development
Member of the executive board of
Porsche Automobil Holding SE

Chairman of the board of management of
Volkswagen AG

Appointments:

- AUDI AG (chairman), Ingolstadt
- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- Volkswagen Truck & Bus GmbH, Braunschweig (chairman)
- ŠKODA Auto a.s., Mladá Boleslav
- Volkswagen (China) Investment Company Ltd., Beijing (chairman)

Philipp von Hagen

Investment management
Member of the executive board of
Porsche Automobil Holding SE

Appointments:

- INRIX Inc., Kirkland, Washington

Prof. Dr. Dr. h.c. mult. Martin Winterkorn (until 31 October 2015)

Chairman of the executive board of
Porsche Automobil Holding SE

Chief Executive Officer of Volkswagen AG
Member of the board of management
of Volkswagen AG
Corporate research and development
(until 25 September 2015)

Appointments:

- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- AUDI AG, Ingolstadt (chairman)
- MAN Diesel & Turbo SE, Augsburg
- FC Bayern München AG, Munich
- ŠKODA Auto a.s., Mladá Boleslav
- Porsche Holding Gesellschaft m.b.H., Salzburg
- Bentley Motors Ltd., Crewe
- Volkswagen (China) Investment Company Ltd., Beijing (chairman)
- Volkswagen Group of America, Inc., Herndon, Virginia (chairman)
- Porsche Austria Gesellschaft m.b.H., Salzburg
- Porsche Retail GmbH, Salzburg
- Volkswagen Truck & Bus GmbH, Braunschweig



Philipp von Hagen

Investment management

Member of the executive board



Hans Dieter Pötsch
Chairman of the executive board
and Chief Financial Officer

Dr. Manfred Döss
Legal affairs and compliance
Member of the executive board

Matthias Müller
Strategy and corporate development
Member of the executive board

Report of the supervisory board

Ladies and gentlemen,

Porsche Automobil Holding SE (“Porsche SE” or the “company”) holds the majority of the voting rights in Volkswagen AG, equivalent to around one third of the share capital. In the fiscal year 2015, Porsche SE once again did justice to its role as an anchor investor in Volkswagen AG that has a long-term mindset and takes strategic action. By acquiring an additional 1.5% of the Volkswagen ordinary shares after the diesel issue had come to light, the company made a clear commitment to its core investment. However, the effects of the diesel issue made themselves felt not only in the lower price of the Volkswagen share and the negative profit contribution from the investment in Volkswagen AG. Prof. Dr. Martin Winterkorn not only took political responsibility at Volkswagen, but also resigned his office as chairman of the executive board of Porsche SE. The supervisory board appointed Mr. Hans Dieter Pötsch as his successor as chairman of the executive board of Porsche SE. The supervisory board will continue to closely follow the clarification of the diesel issue. We remain convinced that the Volkswagen Group with its twelve brands has vast potential for increasing value added.

Porsche SE made important progress on the legal side. On 18 March 2016, the 13th chamber of the Regional Court of Stuttgart responsible for economic offenses acquitted the former members of the executive board of alleged information-based market manipulation. This also eliminated the basis for the proceedings against Porsche SE in accordance with Sec. 30 of the German Act against Regulatory Offenses (OWiG). Prior to this, the Stuttgart public prosecutor had decided in mid-August 2015 to drop investigations into the twelve members of the supervisory board serving in 2008. This move was long overdue. The allegation made by the Stuttgart public prosecutor of jointly aiding and abetting violation of the prohibition on information-based market manipulation by omission in connection with Porsche SE's acquisition of the shareholding in Volkswagen AG in 2008 proved to be unfounded. Both the acquittal and the dropping of the investigations confirm Porsche SE's opinion.

Further important stage victories were achieved with regard to the claims for damages filed against Porsche SE. The appeals brought by a number of hedge funds, which had suffered a

**Dr. Wolfgang****Porsche**

Chairman of the
supervisory board

bitter defeat before the Regional Court of Stuttgart in their claim for damages involving a total claim of € 1.36 billion, was dismissed by the Higher Regional Court of Stuttgart, and leave to appeal was denied. Moreover, at the start of January 2016, the Higher Regional Court of Braunschweig dismissed the appeal of a claimant in the damages action who had been unsuccessful with a similar claim in the first instance. These successes have also given Porsche SE additional tailwind in the other pending damages proceedings.

Throughout the fiscal year the supervisory board was occupied with the economic situation and the net assets, financial position and results of operations of the Porsche SE Group and carried out the advisory and control functions for which it is responsible by law and according to the company's articles of association.

During the fiscal year, the supervisory board held four ordinary and three extraordinary meetings. In addition to this, individual resolutions were passed by circularization. Supervisory board members who were absent from meetings participated in some resolutions through written votes.

Cooperation between the supervisory board and the executive board

Within the framework of its advisory and control responsibilities the supervisory board was kept informed about company performance during the fiscal year by means of written reports by the executive board as well as verbally in meetings. Reporting focused in particular on the group's economic position, business results, business policy and the development of net assets, financial position and results of operations as well as the status of the various legal disputes. The supervisory board examined the significant planning and annual financial statement documents submitted to it and satisfied itself as to their accuracy and appropriateness. It examined and discussed all reports made available to it in appropriate detail and inquired about them in a critical manner. In addition, the chairman of the supervisory board was in constant contact with the executive board throughout the reporting period.

The supervisory board examined fundamental issues of corporate planning, in particular financial, investment and human resources planning. After thorough examination, it agreed to all matters submitted to it by the executive board for resolution or approval as required by the co-determination agreement, the articles of association or the rules of procedure of the executive board. The matters addressed by the supervisory board as a whole included the voting behavior of the company at the annual general meeting of Volkswagen AG in connection with the exoneration of the members of management for the fiscal year 2014 and the election of two members of the supervisory board of Volkswagen AG, as well as the acquisition of a 1.5% stake in the ordinary shares of Volkswagen AG from Suzuki Motor Corporation, Shizuoka, Japan, in an off-market transaction.

The supervisory board ensured that the executive board carried out its business according to the regulations. Supervision also encompassed appropriate measures for risk avoidance and compliance. The supervisory board also ensured that the executive board carried out the measures for which it is responsible in accordance with Sec. 91 (2) German Stock Corporation Act (AktG) in an appropriate form and that the risk monitoring system the act requires is functioning effectively.

Main focus of supervisory and advisory activity of the supervisory board in the fiscal year 2015

At the first ordinary meeting for the fiscal year on 6 March 2015, the supervisory board focused in particular on the separate and consolidated financial statements as well as the combined management report for the fiscal year 2014 and the proposals for resolutions to be made at the annual general meeting of Porsche SE on 13 May 2015. Moreover, the executive board reported on topics including the status of the pending claims for damages in Germany, the criminal proceedings and investigations in connection with allegations of information-based manipulation of the market by statements made by Porsche SE in the period between March and October 2008 against former members of the executive board of Porsche SE as well as the two regulatory offenses filed against Porsche SE pursuant to Sec. 30 OWiG in this connection. In addition, the executive board reported on the status of the investigation concerning allegations of jointly aiding and abetting violation of the prohibition on information-based market manipulation by omission against all members of the supervisory board serving in 2008. Finally, the executive board reported to the supervisory board on the status of the implementation of the investment concept.

At its second ordinary meeting on 12 May 2015, the supervisory board focused on matters including the declaration of compliance under the German Corporate Governance Code and the company's annual general meeting the following day. In addition, the executive board reported to the supervisory board on the status of the pending claims for damages in Germany and in particular on the appeal judgment of the Higher Regional Court of Stuttgart in favor of Porsche SE in damages proceedings brought by hedge funds with last asserted claims for damages of € 1.18 billion plus interest. Furthermore, the supervisory board obtained information on the status of the investigation concerning allegations of jointly aiding and abetting violation of the prohibition on information-based market manipulation by omission against all members of the supervisory board serving in 2008 and on the two regulatory offenses filed against Porsche SE pursuant to

Sec. 30 OWiG and the associated order for participation of Porsche SE as a secondary party in the main proceedings against the former members of the executive board.

An extraordinary meeting was held on 11 September 2015 at which the supervisory board resolved, among other things, to propose to the supervisory board of Volkswagen AG pursuant to Sec. 100 (2) Sentence 1 No. 4 AktG that Mr. Hans Dieter Pötsch be elected to the supervisory board of Volkswagen AG. At this meeting, the supervisory board also addressed the acquisition of 1.5% of the Volkswagen ordinary shares from Suzuki Motor Corporation in an off-market transaction.

At the ordinary meeting on 24 September 2015, the supervisory board obtained information on the diesel issue in the Volkswagen Group and addressed the acquisition of 1.5% of the Volkswagen ordinary shares from Suzuki Motor Corporation. In addition, the supervisory board resolved a target figure for the percentage of women on the executive board and passed a travel expenses and fringe benefits policy for the executive board. Furthermore, the supervisory board obtained information in particular regarding the status of the pending claims for damages in Germany and the ongoing investigations and criminal proceedings. In this context, the supervisory board dealt specifically with the filing of further charges in connection with allegations of information-based manipulation of the market by the press release issued by Porsche SE on 26 October 2008 against former members of the executive board of Porsche SE and to the two regulatory offenses filed against Porsche SE pursuant to Sec. 30 OWiG and the associated order for participation of Porsche SE as a secondary party in each case. In addition, the supervisory board addressed the dropping of the investigation concerning allegations of jointly aiding and abetting violation of the prohibition on information-based market manipulation by omission against all members of the supervisory board serving in 2008. At this meeting, the supervisory board also resolved to mandate a trial observer for the main proceedings in the action against former executive board members of the company.

At a further extraordinary meeting on 17 October 2015, the supervisory board resolved to conclude an agreement on the termination of the contract of employment between Porsche SE and Prof. Dr. Martin Winterkorn as of 31 October 2015 and to appoint Mr. Hans Dieter Pötsch chairman of the executive board, effective as of 1 November 2015.

At the fourth ordinary meeting of the supervisory board, which was held on 4 December 2015, the supervisory board obtained information on the diesel issue in the Volkswagen Group, the corporate planning for the period 2016-2018 and the status of the pending claims for damages in Germany. Furthermore, the supervisory board reported, through the mandated trial observer, on the status and progress of the main proceedings in the actions against former members of the executive board of the company as well as the two regulatory offenses filed against Porsche SE pursuant to Sec. 30 OWiG in this connection.

At the third and final extraordinary meeting of the fiscal year 2015 on 17 December 2015, the supervisory board resolved to appoint Dr. Manfred Döss as member of the executive board responsible for legal affairs and compliance.

The resolutions on the updates to the declaration on the German Corporate Governance Code pursuant to Sec. 161 (1) AktG in December 2015 and March 2016 respectively were each passed by circularization.

Efficient work of the supervisory board committees

To carry out its duties, the supervisory board formed a total of four committees during the period covered by this report. These are the executive committee, the audit committee, the nominations committee and the investment committee.

The committees support the supervisory board and prepare supervisory board resolutions as well as topics for discussion by the full supervisory board. Moreover, the decision-making authority of the supervisory board has been transferred to individual committees to the extent permitted by law.

Executive committee

The executive committee decides in urgent cases on business matters requiring the agreement of the supervisory board as well as on concluding, amending and terminating contracts of employment for members of the executive board where specification of remuneration or its reduction is not affected. In addition, the executive committee draws up a proposal for the individual amount of the variable remuneration for each completed fiscal year, taking into account the respective business and earnings situation and based on the specific performance of the individual member of the executive board, if this is provided for at the level of Porsche SE. This proposal is submitted to the supervisory board of Porsche SE for decision.

The executive committee comprises the chairman of the supervisory board, his deputy and a shareholder representative and employee representative elected from the supervisory board. In addition to the supervisory board chairman Dr. Wolfgang Porsche and his deputy Mr. Uwe Hück, the members of the executive committee are Dr. Hans Michel Piëch as shareholder representative and Mr. Bernd Osterloh as employee representative. The executive committee met four times in the fiscal year 2015, in each case immediately before the ordinary supervisory board meetings. At these meetings, in addition to personnel matters of the executive board, the respective agenda items of the subsequent supervisory board meeting were addressed. The full supervisory board was regularly informed of the work of the executive committee.

The mediation committee did not have to be convened.

Audit committee

The audit committee supports the supervisory board in monitoring management of the company and pays particular attention to monitoring accounting processes, the effectiveness of the internal control system, the risk management system and the internal audit system, the audit of the financial statements, in particular the independence of the auditor and the additional services



rendered by the auditor, the issuing of the audit mandate to the auditor, the determination of key audit topics and the fee agreement as well as compliance.

The audit committee has four members: Prof. Dr. Ulrich Lehner (chairman) and Mr. Uwe Hück, Mr. Bernd Osterloh and Dr. Ferdinand Oliver Porsche. The audit committee met four times in the fiscal year 2015 and reported to the full supervisory board regularly on its work.

At its meeting on 5 March 2015, the audit committee examined the main points of the separate financial statements and consolidated financial statements for the fiscal year 2014 and the combined management report and the executive board's proposal for profit appropriation. In addition, the audit committee dealt with matters including the current risk report, the status of the tax field audit, the status of the internal audit and the recommendation for the election of the auditor for the fiscal year 2015. The audit committee also obtained information on the status of legal proceedings and court cases. At the next meeting on 8 May 2015, the audit committee primarily dealt with the interim report for the first three months of the fiscal year 2015, the current risk report and the report on the company's tax matters (tax report) for the first quarter. In addition, the audit committee heard a report on the status of legal proceedings and court cases. The meeting of 31 July 2015 focused on the 2015 half-yearly financial report, the current risk report, the tax report for the second quarter, the status of the internal policies, the risk management and internal control system as well as the status of the legal proceedings and court cases. Furthermore, the audit committee decided on the key audit topics of the independent audit of the 2015 financial statements. At its final meeting of the fiscal year 2015 on 9 November 2015, the audit committee addressed topics including the interim report for the first nine months of the fiscal year 2015, the effects of the diesel issue in the Volkswagen Group, the current risk report, the tax report for the third quarter and the status of the legal proceedings and court cases. In addition, the audit committee resolved to update the key audit topics for the audit of the 2015 financial statements. The full supervisory board was informed of the work of the audit committee at the next meeting.

Nominations committee

The nominations committee makes recommendations for the supervisory board's proposals to the annual general meeting concerning the election of supervisory board members representing shareholders. The nominations committee is made up of the chairman of the supervisory board, Dr. Wolfgang Porsche, who is also chair of the nominations committee, and three further shareholder representatives: Prof. Dr. Ferdinand K. Piëch, Dr. Hans Michel Piëch and Dr. Ferdinand Oliver Porsche. The nominations committee met once in the fiscal year 2015. At the only meeting of the nominations committee in the fiscal year 2015, which was held on 6 March 2015, the nominations committee resolved to recommend Mr. Hans-Peter Porsche to the supervisory board for proposal to the annual general meeting as its candidate for election. The full supervisory board was informed of the work of the nominations committee at the next meeting.

Investment committee

The investment committee prepares resolutions of the supervisory board as well as addressing in plenary sessions topics which are required for or conducive to implementing the investment concept decided upon by the executive board and makes recommendations in this regard to the supervisory board. Members of the investment committee, which met twice in the fiscal year 2015, are, in addition to chairman of the supervisory board Dr. Wolfgang Porsche and his deputy Mr. Uwe Hück, Prof. Dr. Ferdinand K. Piëch as shareholder representative and Mr. Bernd Osterloh as employees' representative. At its meetings on 6 March 2015 and 4 December 2015, the investment committee dealt with status of the implementation of the investment concept and current acquisition projects. The full supervisory board was regularly informed of the work of the investment committee.

Corporate governance

The supervisory board and executive board have repeatedly and intensively discussed the recommendations and suggestions of the German Corporate Governance Code, submitted the declaration of compliance in accordance with Sec. 161 AktG in May 2015 and made it permanently accessible to shareholders on the website www.porsche-se.com. Furthermore, in March 2015 and in December 2015, the executive board and supervisory board updated the declaration of compliance which was current in each respective month and likewise made the updates permanently accessible to shareholders on the website www.porsche-se.com. The current declaration of compliance, together with the update of December 2015, is reproduced in full in the corporate governance report published in conjunction with the declaration of compliance on the company's website. The supervisory board regularly reviews the efficiency of its activities through self-evaluation.

Due to the influence of individual members of the supervisory board of Porsche SE on individual ordinary shareholders of Porsche SE or the fact that individual supervisory board members are also members of the supervisory boards of Porsche SE and Volkswagen AG or Volkswagen subsidiaries (i.e., all members of the supervisory board except Prof. Dr. Ulrich Lehner) conflicts of interest can arise for these members of the supervisory board in individual cases.

To the extent that concrete conflicts of interest existed or were feared, the particular conflict of interest was reported to the supervisory board. In the past fiscal year, this related to the resolution by circularization on the voting of the company at the annual general meeting of Volkswagen AG regarding the individual exoneration of members of the supervisory board for the fiscal 2014, the shareholder representatives, who are or were also members of the supervisory board of Volkswagen AG, i.e., Dr. Wolfgang Porsche, Prof. Dr. Ferdinand K. Piëch, Dr. Hans Michel Piëch and Dr. Ferdinand Oliver Porsche, abstained from voting in connection with the resolution on voting behavior regarding their own exoneration.

Audit of the separate financial statements and consolidated financial statements for the fiscal year 2015

The separate financial statements and the consolidated financial statements presented by the executive board of Porsche SE for the fiscal year 2015 were examined together with the bookkeeping system and the combined management report by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. The auditor raised no objections and in keeping with this issued unqualified audit opinions. The auditor has included the following emphasis of matter paragraph in the auditors' report:

“Without qualifying this opinion, in the following we make reference to a special matter that came to our attention during the audit: As explained by the executive board in the sections “Significant events and developments in the Porsche SE Group”, “Significant events at the Volkswagen Group” and “Opportunities and risks of future development”, Porsche Automobil Holding SE, Stuttgart, as the majority shareholder of Volkswagen AG, Wolfsburg, was influenced in the fiscal year 2015, particularly with regard to the profit/loss attributable to it from investments accounted for at equity and by the decrease in proportionate market capitalization due to the development of the price of the preference and ordinary shares as a result of the diesel issue. The provisions recognized for warranties and legal risks totaling € 14.8 billion in the consolidated financial statements of Volkswagen AG in the fiscal year 2015 are based on the information available as presented. Due to the many technical solutions required as well as the uncertainties necessarily associated with pending and expected litigation, it cannot be ruled out that the risk estimation could change in the future. With regard to the investment in Volkswagen AG, the executive board of Porsche Automobil Holding SE currently sees a risk of further burdens on the proportionate profit/loss attributable to it as a result of the diesel issue and the uncertainties associated with it. These burdens could result in particular from new findings regarding the effects of the diesel issue on the operating business and/or the financing costs of the Volkswagen Group which exceed the extent assumed in the planning and taken into consideration in the provisions recognized in the consolidated financial statements of Volkswagen AG. As the impairment test of the investment in Volkswagen AG is based on the current planning of the Volkswagen Group, unexpected additional burdens could also give rise to an impairment loss for the investment in Volkswagen AG.”

The profit/loss before tax of the Porsche SE Group came to minus € 456 million in the fiscal year 2015. Profit/loss for the year totaled minus € 273 million. The separate financial statements of Porsche SE showed net income for the year of € 871 million and net profit available for distribution of € 436 million.

The key topics of the audit of financial statements set by the supervisory board in consultation with the audit committee were the recognition and measurement of the legal risks, the recognition and measurement of the tax risks of Porsche SE as well as the effects of the emissions issue relating to certain diesel engines of the Volkswagen Group on the accounting at Porsche SE.

In accordance with Sec. 313 AktG, the executive board's dependent company report (Sec. 312 AktG) was also examined in the annual audit.

On the basis of the findings obtained through their examination, the auditor came to the conclusion that the consolidated financial statements met the requirements of the IFRSs as they apply in the EU and the commercial law applicable under Sec. 315a (1) German Commercial Code (HGB), and that the separate financial statements comply with the legal requirements. In the context of the aforementioned regulations, the separate financial statements give a true and fair view of the group's or company's net assets, financial position and results of operations. The auditor also determined that the combined management report of the company and the group is consistent with the separate financial statements or consolidated financial statements and as a whole provides a suitable view of the position of the company and group and suitably presents the opportunities and risks of future development. In the auditor's opinion, the early warning system for detecting risk at the level of Porsche SE satisfies the statutory requirements of Sec. 91 (2) AktG.

The separate financial statements of Porsche SE, the consolidated financial statements and combined management report of the company and the group, which have been issued with an unqualified audit opinion by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as well as the audit reports of the auditor and the proposal of the executive board on appropriation of the net profit available for distribution were submitted to the supervisory board for review.

At its meeting of 25 April 2016, the audit committee examined the separate financial statements, the consolidated financial statements and the combined management report and discussed significant topics relating to the financial statements with the auditor, in particular the recognition and measurement of the legal risks, the recognition and measurement of the tax risks of Porsche SE as well as the effects of the emissions issue relating to certain diesel engines of the Volkswagen Group on the accounting at Porsche SE, as well as the auditor's emphasis of matter paragraph, presented above, on the special matter that came to their attention in connection with the diesel issue during the audit. In particular, the audit committee discussed the impairment test of the investment in Volkswagen AG and the related sensitivity analyses. In doing so, the audit committee examined the appropriateness of accounting and whether in preparing the separate financial statements and the consolidated financial statements and the combined management report the legal requirements had been fulfilled, and whether the material presented gives a true and fair view of the company's and group's net assets, financial position and results of operations. Representatives of the auditor attended the meeting of the audit committee when the relevant agenda item was addressed and reported on the significant results of their examination of the separate financial statements and the consolidated financial statements. The representatives of the auditor explained the net assets, financial position and results of operations of Porsche SE and were available to the committee to provide additional information, in particular on the emphasis of matter paragraph included in the auditors' report. In addition, at its meeting on 25 April 2016 the audit committee discussed the executive board's proposal for the appropriation of net profit available for distribution.

The audit committee resolved to recommend to the supervisory board to approve the separate financial statements and the consolidated financial statements and to adopt the executive board's proposal for the appropriation of net profit available for distribution. In addition, the declaration of independence of the auditor was obtained in accordance with No. 7.2.1 of the German Corporate Governance Code. The audit committee then resolved to propose to the supervisory board that Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, be recommended to the annual general meeting on 29 June 2016 for election as auditor.

At its meeting on 25 April 2016, the supervisory board closely examined and discussed the documents provided to it in accordance with Article 9 (1) lit. c (ii) SE-VO and Sec. 170 (1) and (2) AktG as well as the audit reports of the auditor. In connection with this, the chairman of the audit committee gave a detailed report in the audit committee on the discussion of the separate financial statements, the consolidated financial statements, and the combined management report. The supervisory board's review related in particular to the recognition and measurement of the legal risks, the recognition and measurement of the tax risks of Porsche SE as well as the effects of the emissions issue relating to certain diesel engines of the Volkswagen Group on the accounting at Porsche SE, and to the auditor's emphasis of matter paragraph thereon. In particular, the supervisory board discussed the impairment test of the investment in Volkswagen AG and the related sensitivity analyses. Representatives of the auditor attended the meeting of the supervisory board when the relevant agenda item was addressed and reported on the significant results of their examination of the separate financial statements and the consolidated financial statements. The representatives of the auditor explained the net assets, financial position and results of operations of Porsche SE and of the group, and were available to the supervisory board to provide additional information, in particular on the emphasis of matter paragraph included in the auditors' report.

The supervisory board approved the results of the audit by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. As the final result of its own review, the supervisory board determined that there are no grounds for objection. In compliance with the audit committee's recommendation, the supervisory board approved the separate financial statements and consolidated financial statements for the fiscal year 2015. The separate financial statements are thus confirmed. The supervisory board declared its agreement with the combined management report. After examining it, the supervisory board endorsed the suggestion of the executive board for the appropriation of net profit available for distribution.

Pursuant to Article 9 (1) lit. c (ii) SE-VO and Sec. 312 AktG, the executive board has prepared a report on related companies (dependent company report) for the fiscal year 2015. The auditors have audited the dependent company report and have rendered the following audit opinion:

“Based on our audit and assessment in accordance with professional standards we confirm that

- (1) the factual disclosures contained in the report are correct,
- (2) the payments made by the company in connection with transactions detailed in the report were not unreasonably high,
- (3) there are no circumstances that would require a materially different assessment of the measures listed in the report than that of the executive board.”

Together with the auditor’s report, the dependent company report was submitted to the supervisory board in a timely manner. Both reports were thoroughly discussed at the meetings of the audit committee and the supervisory board on 25 April 2016, and in particular checked for their accuracy and completeness. Representatives of the auditor participated in these meetings and reported on the significant results of their audit of the dependent company report and were available to the audit committee or the supervisory board to provide additional information. The supervisory board concurred with the result of the auditor’s audit of the dependent company report. According to the concluding results of its own review, the supervisory board had no objections to raise with respect to the closing declaration of the executive board in the dependent company report.

Composition of the executive board and supervisory board

Prof. Dr. Martin Winterkorn terminated his function as member and chairman of the executive board of Porsche SE as of the end of the day on 31 October 2015. Mr. Hans Dieter Pötsch, CFO of Porsche SE, was appointed by the supervisory board to succeed Prof. Dr. Martin Winterkorn as chairman of the executive board, effective as of 1 November 2015. The supervisory board of Porsche SE appointed Dr. Manfred Döss as member of the executive board of Porsche SE, effective as of 1 January 2016. He is responsible for the newly created legal affairs and compliance business area.

His Excellency Sheikh Jassim bin Abdulaziz bin Jassim Al-Thani retired from his position as shareholder representative on the supervisory board effective as of the end of the day on 24 March 2015. On 13 May 2015, the annual general meeting elected Mr. Hans-Peter Porsche to the supervisory board of Porsche SE as his successor. On 25 March 2015, Mr. Hans-Peter Porsche, was appointed as a member of the supervisory board by the Stuttgart Local Court for the transition period up to the annual general meeting.

Acknowledgment

The supervisory board expresses its gratitude to the executive board and all employees in acknowledgment of the work they have done and their unflagging commitment.

Stuttgart, 25 April 2016

A handwritten signature in blue ink, reading "Wolfgang Porsche". The signature is written in a cursive, flowing style.

Supervisory board
Dr. Wolfgang Porsche
Chairman



Corporate governance report

Responsible, transparent and efficient corporate governance is an integral part of corporate culture at Porsche Automobil Holding SE.

Declaration of compliance required by Sec. 289a German Commercial Code (HGB)

You can find the declaration of compliance required by Sec. 289a HGB on our website at www.porsche-se.com/pho/en/investorrelations/declaration/.

Corporate statutes of Porsche Automobil Holding SE

The main legal basis for the corporate statutes of Porsche SE is formed by the European SE provisions and the German SE Implementation Act as well as the German Stock Corporation Act (AktG). Compared with the corporate statutes of a stock corporation, the differences primarily pertain to the formation and composition of the supervisory board. The dual management system with a strict separation of executive board and supervisory board, the principle of parity co-determination on the supervisory board, as well as the co-administration and control rights of the shareholders in the annual general meeting are also parts of the company statutes of Porsche SE.

Corporate management by the executive board

The executive board has sole responsibility for the management of Porsche SE and the Porsche SE Group in the interests of the company and represents the company in transactions with third parties. Its main tasks pertain to the strategy and management of the company as well as the implementation and monitoring of an efficient risk management system. The activity of the executive board is specified in more detail in rules of procedure issued by the supervisory board.

The executive board informs the supervisory board regularly, without delay and comprehensively about the strategy, planning, business development, risk situation and the risk management and compliance of the company and consults with the supervisory board on the strategy of the company. Certain transactions of fundamental significance stipulated in the executive board's rules of procedure may only be carried out by the executive board subject to the prior approval of the supervisory board. These include, among others, the acquisition and sale of companies of a certain size, the establishment and closure of plant locations, the introduction or discontinuation of business divisions as well as legal transactions with holders of ordinary shares or supervisory board members of Porsche SE.



Corporate governance takes into consideration conflicts of interest that can exist, among other things, in the event of membership of two governing bodies (one at Porsche SE on the one hand, and one at Volkswagen AG) and addresses these in the interest of Porsche SE. For example, a member of the executive board who is also a member of the Volkswagen AG board of management does not participate in any resolutions concerning issues relating to Volkswagen AG where there is a conflict of interest.

In accordance with the provisions of the German Corporate Governance Code, the executive board ensures compliance with legal provisions and internal policies, and works toward ensuring they are observed (compliance). Porsche SE created a dedicated legal affairs and compliance executive board function as of 1 January 2016. The task of Porsche SE's member of the executive board responsible for legal affairs and compliance is to report to the whole executive board on all questions relating to compliance, to introduce preventive measures, manage these and monitor compliance with regulations. Before the new executive board function was created, the Chief Compliance Officer, who reported directly to the chairman of the executive board, was responsible for these tasks.

Compliance activities are based on a preventive, proactive strategy.

Monitoring of management by the supervisory board

The supervisory board appoints the members of the executive board and advises and monitors the executive board in its management of the company on a regular basis. The fundamental independence of the supervisory board in controlling the executive board is already structurally guaranteed through the fact that a member of the supervisory board may not simultaneously belong to the executive board and that both boards, including the powers assigned to them, are strictly separated from each other.

The supervisory board consists of twelve male members. None of the current supervisory board members is a former member of the Porsche SE executive board or Porsche AG executive board.

The size and composition of the supervisory board are governed by European SE provisions. These are supplemented by the co-determination agreement entered into with representatives of the European Porsche employees in 2007. This defines the competencies of the employees in the works council of Porsche SE, the procedure for the



election of the Porsche SE works council and the representation of the employees in the Porsche SE supervisory board as well as the relevant rulings in the articles of association. Shareholder and employee representatives are equally represented on the supervisory board of Porsche SE, following the basic principles of the German Co-determination Act (MitbestG).

Pursuant to Sec. 17 (2) of the German SE Implementation Act in its current version, the supervisory board of Porsche SE, which is publicly listed on the stock exchange and its supervisory board must consist of the same number of members of representing the shareholders and

members representing the employees, and be composed of at least 30% female and at least 30% male representatives. This minimum percentage has had to be taken into account since 1 January 2016 should it become necessary to appoint one or more new members of the Porsche SE's supervisory board. Existing appointments can be continued until their normal end. The normal tenure of all current members of the supervisory board of Porsche SE ends after the ordinary annual general meeting in 2018. Any appointments to the supervisory board that are necessary in the future will be made taking the new law on gender quotas into consideration.



The supervisory board makes decisions on the basis of a simple majority of the members of the supervisory board who participate in the vote. In the case of a tied vote, the supervisory board chairman, who, according to the provisions of the SE directive, may only be a member of the supervisory board elected by the shareholders, casts a deciding vote.

To carry out its duties, during the period covered by this report the supervisory board formed a total of four committees which effectively supported and continue to support the work of the full supervisory board. These are the executive committee, the audit committee, the nominations committee and the investment committee.

The executive committee functions as a personnel committee and makes decisions on matters which must be voted on in urgent cases. The audit committee supports the supervisory board in monitoring management of the company and pays particular attention to monitoring accounting processes, the effectiveness of the internal control system, the risk management system and internal audit, the audit of the financial statements, including the independence of the auditor and the additional services rendered by the auditor, the issuing of the audit mandate to the auditor, the determination of key audit topics and the fee agreement as well as compliance. The nominations committee makes recommendations to the supervisory board for the supervisory board's proposals to the annual general meeting concerning the election of supervisory board members. The investment committee prepares resolutions of the supervisory board as well as topics to be dealt with in plenary sessions which are required for or conducive to implementing the investment concept decided upon by the executive board and gives recommendations in this regard to the supervisory board.

Shareholders' rights

Porsche SE's share capital is equally divided into ordinary shares and non-voting preference shares. To the extent provided for in the articles of association, the shareholders exercise their rights before or during the annual general meeting, exercising their voting right should they hold ordinary shares. When passing resolutions, each ordinary share of Porsche SE carries one vote. There are no shares with multiple or preferential voting rights, nor are there maximum voting rights. Every shareholder is entitled to take part in the annual general meeting, to express an opinion on items on the agenda, to table motions and to demand information about company matters if this is needed to properly judge an item on the agenda.





The annual general meeting decides on the appropriation of profits as well as the exoneration of the executive board and supervisory board and elects the shareholder representative to the supervisory board and the auditor. The annual general meeting also decides on the articles of association and purpose of the company, on amendments to the articles of association and on key corporate measures, such as corporate contracts in particular.

The shareholder representatives on the supervisory board are appointed by the annual general meeting. The following applies to the appointing of employee representatives to the supervisory board: The articles of association of Porsche SE provide for the appointment of employee representatives to the supervisory board by the annual general meeting, unless an agreement reached in accordance with the German Act on Employee Involvement in SEs (SEBG) provides for any other procedure for the appointment of employee representatives to the supervisory board. The latter is currently the case. The agreement on the involvement of employees at Porsche SE contains the provision that employee representatives are directly appointed to office following their election by the Porsche SE works council. Even if no such agreement had been made, the annual general meeting would be bound by the nominations of the employees when electing employee representatives.

Financial reporting and annual audit

The Porsche SE Group's financial reporting is based on the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union, as well as the provisions of German commercial law applicable under Sec. 315a (1) HGB. The financial statements of Porsche SE as parent company of the Porsche SE Group are based on the accounting provisions of the German Commercial Code. Both sets of financial statements



are audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as independent auditor. In addition, the underlying facts of the compliance declaration in accordance with Sec. 161 (1) AktG are taken into consideration during the annual audit.

Risk management

The Porsche SE Group has a group-wide risk management system which helps management recognize major risks at an early stage, thus enabling them to initiate countermeasures in good time. The risk management system at the Porsche SE Group is continuously tested for efficiency and continually optimized to reflect changed conditions. For details, please refer to pages 136 et seq. of the annual report.

Communication and transparency

Porsche SE attaches great importance to transparent communication and regularly keeps shareholders, financial analysts, shareholder associations, the media and the general public informed about the situation of the company and its business development. This information can be

accessed, in particular, on the website

www.porsche-se.com

which contains all press releases and financial reports as well as the articles of association of Porsche SE and information about the annual general meeting.

Besides the regular reporting, Porsche SE announces insider information, i.e. specific information on circumstances that are not in the public domain in accordance with Sec. 15 German Securities Trading Act (WpHG) which relate to Porsche SE and, when they become known, could significantly impact on the market prices of the Porsche SE preference share. These ad hoc announcements are also presented on the homepage of Porsche Automobil Holding SE.

Directors' dealings

Pursuant to Sec. 15a WpHG, members of the executive board and supervisory board as well as certain persons in management positions and persons closely related to them must disclose the purchase and sale of Porsche SE shares and related financial instruments. Porsche SE publishes such announcements about transactions of this kind on the Porsche SE homepage.



Declaration on the German Corporate Governance Code

The background

On 26 February 2002, the Federal German Government Commission on the Corporate Governance Code introduced a standard of good and responsible corporate governance for companies listed on the stock exchange, which is regularly updated. Pursuant to Sec. 161 (1) German Stock Corporation Act (AktG), the executive and supervisory boards of listed companies are obliged to make an annual declaration of compliance as to whether they have complied and are continuing to comply with the recommendations of the Code in the version valid at the time, or which of the recommendations contained in the Code have not been or are not applied, and why. If a submitted declaration becomes incorrect between two scheduled declarations, the declaration must be updated.

Text of the declaration of Porsche Automobil Holding SE in accordance with Sec. 161 (1) AktG in the version of May 2015:

The executive board and supervisory board of Porsche Automobil Holding SE declare in accordance with Sec. 161 (1) AktG that the

company has generally complied and complies with the recommendations of the Government Commission on the German Corporate Governance Code (GCGC or Code) announced by the Federal Ministry of Justice in the official part of the German Federal Gazette. This declaration is made with reference to the respective valid version of the Code of 13 May 2013, published in the German Federal Gazette on 10 June 2013, and the version of 24 June 2014, published in the German Federal Gazette 30 September 2014. The following recommendations have not been complied with since the most recent declaration of compliance in May 2014 or – with reference to Sec. 5.4.2 Sentence 1 GCGC – since the declaration was updated in March 2015, and will not be complied with in the future:

Regarding executive board remuneration paid by Porsche Automobil Holding SE, the recommendation in Sec. 4.2.3 (2) Sentence 6 GCGC was and also will not be fully complied with in the future. Based on the judgment of the supervisory board, there are no upper limits of maximum amounts of bonus payments to be made to executive board members for previously agreed targets or a subsequent bonus in recognition of extraordinary performance. The same therefore also applies for compensation on the whole. The supervisory board does not consider this necessary





because by exercising its judgment it can ensure that the requirement of reasonableness of Sec. 87 (1) AktG is complied with.

The recommendation on the target regarding the composition of the supervisory board in Sec. 5.4.1 (2) and (3) GCGC was not complied with and will not be complied with in the future. The supervisory board advocates a balanced composition for the committee as defined in the recommendation in Sec. 5.4.1 (2) and (3) of the Code. Setting concrete targets continues to be inappropriate in the opinion of the supervisory board since decisions should be taken on the candidates proposed in each individual case in the light of the male or female candidates available at that time.

As regards the recommendation in Sec. 5.4.1 (4) GCGC regarding the disclosure of certain matters in the supervisory board's election recommendations to the annual general meeting, the requirements of the Code remain indefinite and their boundaries and scope unclear. The supervisory board has endeavored in the past and shall continue to endeavor in the future to meet the requirements of Sec. 5.4.1 (4) of the Code, although, in light of the imprecision, unclear scope and boundaries of the recommendation, it cannot rule out that this recommendation was not fully complied with in the past or will not be fully complied with in the future. As a result, non-compliance has been declared as a precaution.

With the departure of Sheikh Al-Thani from the supervisory board, effective as of the end of the day on 24 March 2015, the supervisory board can no longer maintain its former judgment that it has a sufficient number of independent members with sufficient legal certainty. Given his relationships to the company, its governing bodies and shareholders, his successor, Mr. Hans-Peter Porsche, cannot be regarded as independent as defined in Sec. 5.4.2 GCGC. As a precaution, it has been declared that the recommendation pursuant to

Sec. 5.4.2 Sentence 1 GCGC has no longer been complied with since 25 March 2015 and will not be complied with in the future. With the appointment of Mr. Hans-Peter Porsche, the composition of the shareholder side of the supervisory board that existed prior to Qatar's investment in ordinary shares has been restored.

The recommendation in Sec. 5.4.6 (2) GCGC regarding the orientation of supervisory board compensation toward sustainability has not been complied with nor will it be complied with in the future. In view of the supervisory board's predominantly supervisory activities, which in the shared opinion of the executive board and the supervisory board give rise to in limited risk of short-term action, the current performance-related compensation includes an adequate sustainability component.

The recommendation in Sec. 6.3 GCGC to disclose shares held by members of the company's governing bodies has not been complied with and will not be complied with in the future. Notifications regarding the voting rights of our shareholders in accordance with the German Securities Trading Act (WpHG) are published as required by this Act. Notifications concerning the purchase and sale of Porsche preference shares by members of the executive board and supervisory board in accordance with Sec. 15a German Securities Trading Act (WpHG) are published by Porsche Automobil Holding SE as required by this Act. The shares in the company and related financial instruments held by members of the company's governing bodies have not been published in the past and will not be published in the future as we believe our complete compliance with statutory disclosure requirements provides the capital markets and our shareholders in particular with sufficient information.

Text of the update to the declaration of the executive board and supervisory board of Porsche Automobil Holding SE on the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Sec. 161 (1) AktG of December 2015

The declaration of the executive board and supervisory board of Porsche Automobil Holding SE on the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Sec. 161 (1) AktG of May 2015 has been updated as follows:

The supervisory board of Porsche Automobil Holding SE appointed Dr. Manfred Döss to the company's executive board as of 1 January 2016. He will be responsible for legal affairs and compliance function. At the same time, Dr. Döss will assume responsibility for managing the legal department of Volkswagen AG, where he will focus on supporting clarification of the diesel issue. The supervisory board has not yet reached a decision regarding his remuneration, as the supervisory board will deal with the executive board remuneration system as a whole at its next scheduled meeting in March 2016. The provisions of Sec. 4.2.3 (2) Sentence 2 GCGC, according to which the monetary elements of the remuneration of executive board members shall comprise fixed and variable elements, will not be complied with from 1 January 2016 onward.

The chairman of the company's executive board, Mr. Hans Dieter Pötsch, left the board of management of Volkswagen AG on 7 October 2015 and was subsequently appointed a member of the supervisory board of Volkswagen AG by court appointment and elected its chairman by the supervisory board of Volkswagen AG. His contract of employment with Volkswagen AG was annulled in this connection. As a result, Mr. Pötsch does not receive variable remuneration calculated on a multi-year basis from Volkswagen AG. He receives only a fixed basic component from Porsche Automobil

Holding SE. As a result, the provisions of Sec. 4.2.3 (2) Sentence 2 GCGC have not been complied with since that time.

At its next scheduled meeting in March 2016, the supervisory board will deal with the executive board remuneration system and decide whether Mr. Pötsch and Dr. Döss should be granted a variable component calculated on a multi-year basis in accordance with the provisions of Sec. 4.2.3 (2) Sentence 2 GCGC.

Text of the update to the declaration of the executive board and supervisory board of Porsche Automobil Holding SE on the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Sec. 161 (1) AktG of March 2016

The declaration of the executive board and supervisory board of Porsche Automobil Holding SE on the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Sec. 161 (1) AktG of May 2015, amended in December 2015, has been updated as follows:

The provisions of Sec. 7.1.2 GCGC, pursuant to which the consolidated financial statements shall be publicly accessible within 90 days of the end of the financial year will not be complied with for the consolidated financial statements of Porsche Automobil Holding SE for the fiscal year 2015. The publication of the consolidated financial statements of Porsche Automobil Holding SE for the fiscal year 2015 will not be in March 2016, as originally planned, but in April 2016.

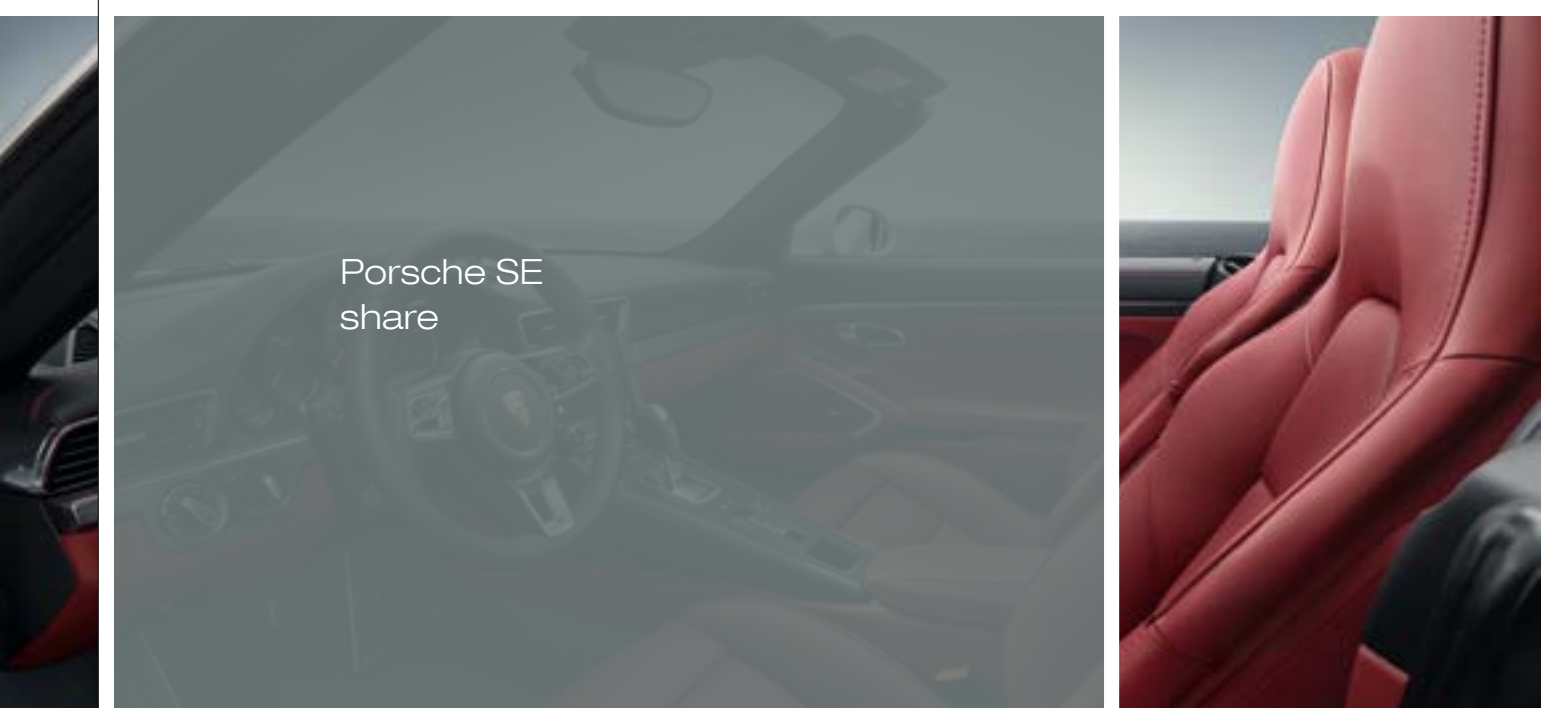
The preparation of the separate and consolidated financial statements of Porsche Automobil Holding SE was delayed because Volkswagen AG, Wolfsburg, announced that the preparation of the annual financial statements of Volkswagen AG for 2015 had been delayed due to

outstanding questions in connection with the consequences of the diesel issue and the measurement matters resulting from this. As a result of Porsche Automobil Holding SE's equity investment in Volkswagen AG, which is currently 30.8%, and the importance of this investment for Porsche Automobil Holding SE, the availability of the consolidated financial statements of Volkswagen AG, the issue for publication of which was likewise delayed, is a prerequisite for the preparation of the separate and consolidated financial statements of Porsche Automobil Holding SE for the fiscal year 2015.

Porsche Automobil Holding SE
Stuttgart, 25 April 2016

The supervisory
board

The executive
board



Porsche SE share

Stock markets

The European stock markets were highly volatile during the past year.

The leading European share index EURO STOXX 50 rose by around 3.8 percent for the year as a whole and closed at 3,268 points. The index reached its highest level for the year of 3,836 points in April; the annual low of around 2,973 points was seen in August. The DAX developed considerably more positively and stood at 10,743 points at year-end, an increase of 9.6 percent. The leading German index peaked at an all-time high of 12,391 points in April, only to fall again later. The annual low was 9,325 points in September.

In the first six months of the year, the Porsche SE share at first largely followed the development of the market as a whole, which was characterized by the expansive monetary policy of the European Central Bank and the resulting low interest rates. The Porsche SE share reached its annual high of 94.56 euro on 10 April. On the whole, the share price paralleled the price of the Volkswagen preference share. Over the course of the second half of the year, the share could not avoid the effects of the diesel issue in the Volkswagen Group. It closed the year at 50.01 euro, some 26 percent lower than at the end of the

prior-year period. The share hit its annual low of 34.03 euro on 5 October.

2015 annual general meeting

The annual general meeting of Porsche SE was held in the Porsche-Arena and Hanns-Martin-Schleyer-Halle in Stuttgart on 13 May 2015. Around 4,000 shareholders attended. The dividend approved for the fiscal year 2014 amounted to 2.010 euro per share to holders of preference shares and 2.004 euro per share to holders of ordinary shares. In the prior year, the dividend was likewise 2.010 euro per preference share and 2.004 euro per ordinary share. The amount distributed remained constant compared to the prior-year at 614,643,750 euro.

The members of the supervisory board and executive board were exonerated. Hans-Peter Porsche was elected to the supervisory board by the annual general meeting. He succeeded His Excellency Sheikh Jassim bin Abdulaziz bin Jassim Al-Thani, who retired from his position on the supervisory board effective as of the end of the day on 24 March 2015. The Stuttgart Local Court had already appointed Mr. Porsche as a member of the supervisory board on 25 March 2015.



Development of the Porsche SE preference share price 2015
(indexed to 31 December 2014)



Porsche SE preference share

Volkswagen preference share

EURO STOXX 50

Shareholder composition

Porsche SE's subscribed capital in the form of no-par value bearer shares comprises 153,125,000 ordinary shares and 153,125,000 non-voting preference shares, each share arithmetically representing a 1 euro notional value of the share capital.

According to the information available, the ordinary shares are indirectly held exclusively by members of the Porsche and Piëch families. More than half of the preference shares are held by institutional investors – mainly outside Germany. The free float preference shares are distributed between private investors, most of whom are domiciled in Germany.

Porsche SE preference share: basic data

ISIN	DE000PAH0038
WKN	PAH003
Stock codes	PSHG_p.DE, PAH3:GR
Stock exchange	All German stock exchanges
Trading segment	General Standard
Sector	Automotive
Key indices	CDAX, General All Share, Dow Jones Automobile & Parts Titans 30 Index, MSCI Euro Index, STOXX Europe 600 Index, STOXX All Europe 800, EURO STOXX Auto & Parts
Subscribed capital ¹	€306,250,000
Denomination	153,125,000 ordinary and preference shares respectively
Class of shares	No-par value bearer shares

¹ Of which half as ordinary shares

Investor relations activities

In the fiscal year 2015, Porsche SE informed its investors at regular capital market conferences and roadshows.

Private investors had the opportunity to gain first-hand insight into the development of Porsche SE and ask questions at a large number of investor events in Germany in the past year.

Throughout the year, the Investor Relations department answered many inquiries received by email, post or telephone from private and institutional investors as well as analysts. These questions focused on topics including the current status of the legal disputes, the investment strategy and latest developments.

The investor relations app supplements the comprehensive information on the corporate website www.porsche-se.com and enables direct access to all financial publications.

Porsche SE share key figures

		2015	2014	2013
Closing price ¹	€	50.01	67.16	75.66
Annual high ¹	€	94.56	82.15	75.88
Annual low ¹	€	34.03	57.28	52.73
Number of ordinary shares issued (31 December)		153,125,000	153,125,000	153,125,000
Number of preference shares issued (31 December)		153,125,000	153,125,000	153,125,000
Market capitalization (31 December) ²	€	15,315,562,500	20,567,750,000	23,170,875,000
Earnings per ordinary share ³	€	-0.90	9.90 ⁴	7.86
Earnings per preference share ³	€	-0.89	9.91 ⁴	7.87
Dividend per ordinary share	€	1.004 ⁵	2.004	2.004
Dividend per preference share	€	1.010 ⁵	2.010	2.010

¹ Preference share in Xetra trading

² Assuming ordinary shares are valued at the market price of the preference shares

³ Basic and diluted

⁴ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8

⁵ Proposal to the annual general meeting of Porsche SE

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report of Porsche
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Fundamental information about the group



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 31 December 2015, the Porsche SE Group had 32 employees (31 December 2014: 31 employees).

The business activities of the Porsche SE Group essentially consist in holding and managing investments. The management reports for Porsche SE and for the Porsche SE Group are combined in this report.

Investment management of Porsche SE

Porsche SE is a holding company. It holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft, Wolfsburg (“Volkswagen AG”, “Volkswagen” or “VW”), one of the leading automobile manufacturers in the world. The Volkswagen Group comprises 12 brands from 7 European countries: Volkswagen passenger cars, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen commercial vehicles, Scania and MAN. In addition, Porsche SE holds shares in the US technology company INRIX Inc., Kirkland, Washington, USA (“INRIX”). INRIX is a world leader in the field of connected-car services and real-time traffic information.

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

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

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




Core management and financial indicator system

Porsche SE's main corporate goal is to invest in companies that contribute to the mid- and long-term profitability of the Porsche SE Group while ensuring liquidity. In line with these corporate goals, profit/loss and liquidity are the core management indicators in the Porsche SE Group.

Profit/loss after tax for the year is used as a financial indicator for earnings for the Porsche SE Group. For the liquidity core management indicator, net liquidity is monitored and managed accordingly. By definition, net liquidity is calculated as cash and cash equivalents, time deposits and securities less financial liabilities.

The planning and budgeting process implemented in the Porsche SE Group is designed to enable management to take its decisions on the basis of the development of these indicators. Within the scope of planning, the costs associated with holding and managing the investments at the level of Porsche SE are budgeted in consultation with all departments, and integrated multi-year planning of the results of operations, financial position and net assets of the Porsche SE Group is derived taking into account the respective planning of the investments held.

In the course of the year, the development of the indicators is continuously tracked and made available to the executive board and supervisory board in the form of regular reports. The reporting includes in particular the monthly reports for the Porsche SE Group as well as monthly risk reports.



Report on economic position



Significant events and developments in the Porsche SE Group

Emissions issue at the level of the Volkswagen Group

On 18 September 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a notice of violation that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. It has been alleged that Volkswagen had used undisclosed engine management software installed in certain four-cylinder diesel engines used in certain 2009 to 2015 model year vehicles to circumvent NO_x emissions testing regulations in the United States of America in order to comply with certification requirements. The US environmental authority of California – the California Air Resources Board (CARB) – announced its own enforcement investigation in this context. Following these announcements by EPA and CARB, authorities in various other jurisdictions worldwide commenced their own investigations (“diesel issue”). As the majority shareholder, Porsche SE is affected by this issue, particularly with regard to its profit/loss from investments accounted for at equity. Furthermore, the proportionate market capitalization of its investment in Volkswagen AG is influenced by the

resulting development of the price of Volkswagen ordinary and preference shares. Despite the decrease in the proportionate market capitalization, there was no need, on the basis of the earnings forecasts, even taking into consideration the diesel issue, to recognize an impairment loss for the investment in Volkswagen AG. However, an increase in the costs of mitigating the diesel issue might lead to an impairment in the value of the investment. Legal risks resulting from this issue can likewise affect Porsche SE. Ultimately, there could be subsequent effects on the dividend policy of Volkswagen AG and therefore on the cash inflows at the level of Porsche SE. For details of this matter, please refer to the explanations of the significant events at the Volkswagen Group, the explanatory notes on the results of operations, financial position and net assets, to the section “Opportunities and risks of future development” and the “Outlook” section. The executive board of Porsche SE remains committed to the company’s role as Volkswagen AG’s long-term anchor shareholder and is still convinced of the Volkswagen Group’s potential for increasing value added.

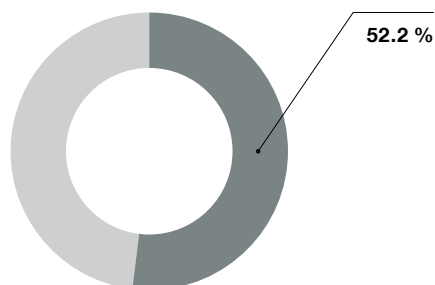


Changes in Porsche SE's shareholding in Volkswagen AG

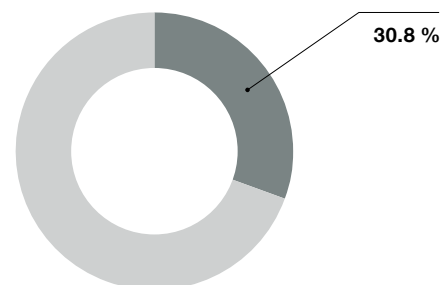
At the end of September 2015, Porsche SE reached an agreement with Suzuki Motor Corporation, Shizuoka, Japan, to acquire a 1.5% stake in the ordinary shares of Volkswagen AG in an off-market transaction. This increased Porsche SE's shareholding in the ordinary share capital of Volkswagen AG from 50.7% to 52.2%. The share held in the subscribed capital of Volkswagen AG increased to 32.4% as of the date of acquisition.

Due to the issue of preference shares until 9 November 2015 in connection with the mandatory convertible bonds issued by Volkswagen AG, Porsche SE's share in the subscribed capital of Volkswagen AG decreased from 32.4% to 30.8%.

Stake of ordinary shares in Volkswagen AG



Stake of subscribed capital in Volkswagen AG







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

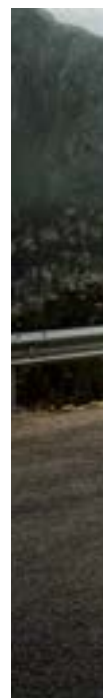
For several years, Porsche SE has been involved in various legal proceedings. The main developments of these legal proceedings during the fiscal year 2015 are described in the following:

Actions for damages concerning the allegation of market manipulation in Germany and England

At the end of 2011, six plaintiffs asserting damages from their own rights and one plaintiff asserting damages from allegedly assigned rights of six other claimants filed an action for damages against Porsche SE, which is pending before the Regional Court of Hanover. 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. During two oral hearings on 6 and 7 May 2015 evidence was taken through examination of two witnesses. Dates for continuation of taking evidence and for examination of further witnesses have not yet been scheduled. 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 joined the proceeding as intervener in support of the two supervisory board members. A trial date for hearing the case took place on 30 April 2015. By interim judgment dated 21 May 2015, the court assigned six of the seven plaintiffs to provide a security for costs for the legal procedures. Porsche SE considers the claims to be without merit.

On 30 April 2013, a group of plaintiffs filed a complaint against Porsche SE at the Regional Court of Stuttgart and asserted claims for damages based on allegations of market manipulation and



inaccurate information in connection with the acquisition of the shareholding in Volkswagen AG in 2008. The Regional Court of Stuttgart dismissed the action by decision of 17 March 2014. The four plaintiffs who did not file appeals originally had asserted claims for damages in the amount of approximately €177 million (plus interest). Hence, the remaining claims for damages asserted in the appellate proceedings amounted to approximately €1.18 billion (plus interest). The Higher Regional Court of Stuttgart dismissed the appeals by decision of 26 March 2015 and thus confirmed the dismissal by the Regional Court of Stuttgart. Leave to appeal on points of law was not permitted. All 19 plaintiffs have lodged a complaint against the refusal of leave to appeal on points of law to the Federal Court of Justice (Bundesgerichtshof). A decision on the complaint against the refusal of leave to appeal has not yet been made. Porsche SE considers 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 ordinary shares in Volkswagen AG and, hence, lost profits or entered into derivatives relating to ordinary shares in Volkswagen AG and incurred losses from these transactions due to the share price development in the amount claimed. During the oral hearings before the Regional Court of Braunschweig on 10 December 2014, the plaintiff filed an application for establishment of a model case according to the Capital Markets Model Case Act (KapMuG) and filed as a precautionary measure a motion to refer the case. By decisions of 4 March 2015, the Regional Court of Braunschweig referred the case to the Regional Court of Hanover as the competent court for antitrust matters because the plaintiff based its alleged claims also on antitrust law. In November 2015, the plaintiff has broadened the scope of the action and has been claiming alleged damages in an amount of around €2.7 billion (plus interest) since. An oral hearing was held on 8 December 2015 at the Regional Court of Hanover. 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 a first referral of the case to the Regional Court of Braunschweig and an oral hearing before this court, the case was referred to the antitrust chamber of the Regional Court of Hanover in accordance with a request of the plaintiff. By a pleading of 18 February 2015, the plaintiff filed an application for establishment of a model case according to the Capital Markets Model Case Act (KapMuG). An oral hearing was held on 8 December 2015 at 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. By decision dated 10 June 2015, the Regional Court of Braunschweig referred the case to the Regional Court of Hanover as the competent court for

antitrust matters because the plaintiff based its alleged claims also on antitrust law. Porsche SE considers the asserted claim to be without merit.

In March 2015, 32 companies (hedge funds, pension funds and other investment funds) filed claims for damages against Porsche SE before the Regional Court of Braunschweig. In this action, the plaintiffs allege overall damages of about €507 million (plus interest) based on allegedly inaccurate information and the alleged omission of information and have filed an application for establishment of a model case according to the Capital Markets Model Case Act (KapMuG). By decision dated 10 June 2015, the Regional Court of Braunschweig referred the case to the Regional Court of Hanover as the competent court for antitrust matters because the plaintiffs based their alleged claims also on antitrust law. In November 2015, the plaintiffs broadened the scope of the action and asserted damages in an amount of around €703 million (plus interest). An oral hearing was held on 8 December 2015 at the Regional Court of Hanover. By interim judgment dated 12 January 2016, the court assigned 25 of the 32 plaintiffs to provide a security for costs for the legal procedures. By letter dated 3 March 2016, two plaintiffs withdrew their claims. After this withdrawal, the total of all remaining claims in this action amounts to €658 million (plus interest).



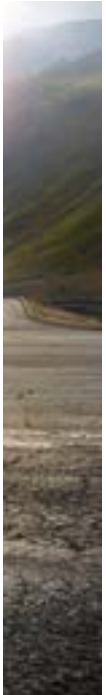
Porsche SE considers the claims to be without merit.

On 13 April 2016, the Regional Court of Hanover decided with respect to the above-mentioned KapMuG motions to refer in total 83 of the establishment objectives asserted by the plaintiffs to the Higher Regional Court of Celle. At the same time, the Regional Court of Hanover announced that it will make a decision on the suspension of all above-mentioned proceedings pending before it against Porsche SE because of a possible prejudicial effect of the decision to be rendered by the Higher Regional Court of Celle. Possible decisions of the Regional Court of Hanover on the suspensions of proceedings can be appealed by filing an immediate appeal to the Higher Regional Court of Celle.

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 and thereby entered legal proceedings. The Regional Court of Braunschweig dismissed the plaintiff's action by decision dated 30 July 2014. The appeal lodged by the plaintiff was dismissed by the Higher Regional Court of Braunschweig by decision of 12 January 2016. The court thus confirmed the dismissal by the

Regional Court of Braunschweig. Leave to appeal on points of law was not permitted. The judgment is final.

On 7 June 2012, Porsche SE filed an action against two companies of an investment fund for declaratory judgment with the Regional Court of Stuttgart that alleged claims in the amount of around US\$195 million do not exist. The investment fund had asserted out-of-court that Porsche SE had made false and misleading statements in connection with its acquisition of a stake in Volkswagen AG during 2008 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 was appealed by way of an immediate appeal by one of the defendants. By decision dated 28 November 2013, the Regional Court of Stuttgart did not allow the appeal and submitted the appeal to the Higher Regional Court of Stuttgart for a



decision. By decision dated 30 January 2015, the Higher Regional Court of Stuttgart dismissed the immediate appeal. The defendant has filed an appeal on points of law to the Federal High Court of Justice. A decision on the appeal has not been taken yet. Porsche SE considers the action filed in England to be inadmissible and the claims to be without merit.

In autumn 2015 an individual asserted out-of-court claims against Porsche SE in the amount of approximately €16,000 (without interest) based on alleged market manipulation in connection with the acquisition of the shareholding in Volkswagen AG. Porsche SE considers the asserted claims to be without merit and has rejected them.

Proceedings regarding shareholders' actions

A shareholder has filed an action of nullity and for annulment before the Regional Court of Stuttgart regarding the resolutions of the annual general meeting on 30 April 2013 on the exoneration of the executive board and the supervisory board for the fiscal year 2012, the election of five persons as members of the supervisory board as well as the resolution to refuse the motion to vote out the chairman of the general meeting. The Regional Court of Stuttgart dismissed the action by decision of 23 September 2014. The shareholder appealed

this decision. By decision dated 8 July 2015, the Higher Regional Court of Stuttgart dismissed the appeal and thus confirmed the dismissal of the action by the Regional Court of Stuttgart. Leave to appeal on points of law was not permitted. The shareholder has filed a complaint against the refusal of leave to appeal with the Federal Court of Justice (Bundesgerichtshof). Porsche SE considers the action to be partially inadmissible and in any event to be without merit.

The same shareholder has also filed an action of nullity and for annulment regarding the resolutions of the annual general meeting on 27 May 2014 as well as a precautionary action for determination that a shareholders' resolution has been adopted before the Regional Court of Stuttgart. Subject of the actions are the shareholders' resolutions on the exoneration of the executive board and the supervisory board for the fiscal year 2013 as well as the resolution to refuse the motion to vote out the chairman of the general meeting. As a precautionary measure, the shareholder additionally filed an action for determination that a shareholders' resolution has been adopted regarding the motion to vote out the chairman of the general meeting. An oral hearing was held on 22 March 2016 at the Regional Court of Stuttgart. The Regional Court of Stuttgart has scheduled a date for rendition of a decision for



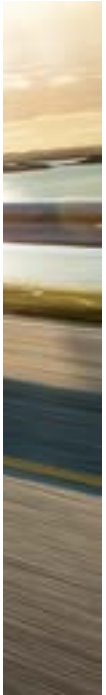
7 June 2016. Porsche SE considers the action to be partially inadmissible and in any event to be without merit.

Furthermore, the same shareholder claims a right to information against Porsche SE before the Regional Court of Stuttgart. With this motion, the disclosure of questions asked at the annual general meeting in 27 May 2014 is demanded. An oral hearing was held on 22 March 2016 at the Regional Court of Stuttgart. The Regional Court of Stuttgart has scheduled a date for rendition of a decision for 7 June 2016. Porsche SE considers the motion to be without merit.

Investigations and criminal proceedings

In December 2012, charges were brought against the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter with the chamber of the Regional Court of Stuttgart responsible for economic offenses on suspicion of information-based manipulation of the market in Volkswagen shares. The accused were held responsible for five false declarations made and issued in public statements of the company at their instigation in the period from 10 March 2008 to 2 October 2008 relating to the acquisition of the shareholding in Volkswagen AG. In these statements Porsche SE allegedly denied any

intention to step up its investment to 75% of the voting capital even though it was allegedly by February 2008 at the latest 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. By indictment dated 10 June 2015, the Stuttgart public prosecutor brought further charges against the two former executive board members concerning the press release by Porsche SE of 26 October 2008. The public prosecutor raised the accusation that the press release of 26 October 2008 had been misleading because it suggested that in the future there would only be just a few Volkswagen ordinary shares available in the market, thus generating the false impression of a long-term narrow market. Furthermore the public prosecutor raised the accusation that the press release contained a recommendation to short sellers of Volkswagen ordinary shares to purchase Volkswagen ordinary shares under pretense of alleged altruism and concealment of alleged selfish motives. Both indictments were accepted for trial. The Regional Court of Stuttgart consolidated these proceedings for joint hearing. The Regional Court of Stuttgart followed a request of the public prosecutor and ordered the participation of Porsche SE as a secondary party. The main hearings began on



22 October 2015 and ended on 18 March 2016 with the rendition of a decision. Based on factual reasons the Regional Court of Stuttgart found the two former members of the executive board of Porsche SE not guilty concerning all charges. Consequently, the Regional Court of Stuttgart also dismissed the Stuttgart public prosecutor's motion for imposing a fine of €807 million against Porsche SE. According to the opinion of the chamber, the six indicted statements made in the period from 10 March 2008 to 26 October 2008 were neither false, nor misleading or deceitful in any other way. Furthermore, it had not been proven that the six accused statements actually influenced the stock-market price of Volkswagen ordinary shares and that – with regard to the alleged 'denials' made between 10 March and 2 October 2008 – they were even suitable to influence the Volkswagen share's stock-market price. Based on the findings of the main proceeding the chamber does not see any proof with regard to the five statements made between 10 March 2008 and 2 October 2008 that the accused members of the executive board had decided to acquire 75% of the voting capital of Volkswagen AG prior to or during this period of time. In particular, there was no concealed plan of the accused and there were no untruthful denials in the indicted statements. With regard to the press release of 26 October 2008, the taking of evidence revealed that the accused neither misled nor

deceived in any other way the capital market. In particular, contrary to the accusation of the public prosecutor's office, a termination-induced collapse of the options positions built up by Porsche SE was not imminent. That decreasing stock-market prices had been 'foreseeable' and had caused liquidity problems for Porsche SE had also not been proven during the main proceedings. Furthermore there had not been problems such as in relation to the risk bearing ability of a bank involved in setting up the option strategy. In addition the taking of evidence did not confirm the further accusation whereupon the accused issued the press release and thereby concealed selfish motives and gave a recommendation to purchase Volkswagen AG shares. The judgment is not final. The Stuttgart public prosecutor had lodged an appeal on points of law to the Federal Court of Justice. The written judgment has not been served yet. The appeal on points of law has to be substantiated at the latest within one month after service of the written judgment. If the appeal on points of law is not substantiated within this time, it will be rejected as inadmissible.

In February 2013, it became known that the Stuttgart public prosecutor 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. On 7 August 2015, charges were brought against the former employee with the Regional Court of Stuttgart on suspicion of aiding and abetting violation of the prohibition in market manipulation. A decision on the opening of the main proceedings has not yet been made. According to a press release of the Stuttgart public prosecutor dated 17 August 2015, the investigations against the members of the supervisory board had been terminated according to Sec. 170 (2) of the German Code of Criminal Procedure (StPO) due to a lack of sufficient suspicion of a criminal act. The analysis of

all the evidence had not produced any factual indications that the members of the supervisory board had been directly or indirectly involved as offenders in the submission of the statements to which the proceedings relate. The investigations had also produced no factual indications that the members of the supervisory board had committed any acts constituting participation as instigators or accomplices.

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



Other legal proceedings and legal risks

In connection with the diesel issue (for a detailed description see section “Emissions issue” in chapter “Significant events at the Volkswagen Group”) the following claims have been asserted against Porsche SE:

In October 2015, a minority shareholder of Volkswagen AG filed a (partial) claim against Porsche SE with the Regional Court of Munich II, concerning damage claims in the amount of €10,000 (plus interest) to be paid to Volkswagen AG. Subject of this action are alleged damages incurred by Volkswagen AG and its minority shareholders in connection with the diesel issue which Porsche SE

is alleged to have caused. An oral hearing on the admissibility of the action was held on 21 April 2016. The Regional Court of Munich II has scheduled a date for rendition of a decision on the admissibility of the action for 12 May 2016. Porsche SE considers the action to be inadmissible and without merit.

In November 2015, a purchaser of a Volkswagen and an Audi diesel vehicle filed a class action lawsuit in the U.S. District Court for the Eastern District of Michigan against, among others, Volkswagen AG and Porsche SE. The plaintiff, purporting to represent a nationwide class of U.S. purchasers, alleges that the defendants fraudulently induced customers to purchase Volkswagen, Audi and Porsche diesel vehicles that contain illegal defeat devices intended to circumvent U.S. emissions standards and do not perform as advertised. Claiming that these vehicles have diminished in value, the plaintiff seeks substantial damages on behalf of the class, including punitive damages and treble damages under U.S. law. In addition, the plaintiff seeks, inter alia, injunctive relief in the form of a vehicle buy-back program, recall, and/or reimbursement of the purchase. The action has been transferred to the U.S. District Court for the Northern District of California for consolidated pre-trial proceedings with other actions involving similar allegations. On 22 February 2016 other plaintiffs in the multi-district litigation filed three consolidated amended complaints on behalf of putative classes of purchasers (including the plaintiff in the Eastern District of Michigan action against Porsche SE), dealers and reseller dealerships. Porsche SE was not named as a defendant in any of those three complaints. In any event Porsche SE considers any claims against it to be without merit.

Since October 2015, 14 persons who have not yet filed a lawsuit have made out-of-court claims against Porsche SE in connection with the diesel issue. In part, the alleged claims have not yet been quantified. As far as the alleged claims have



been quantified by the plaintiffs, the damage claims amount to a total of €155,304.95 (without interest). The plaintiffs maintain to have bought preference shares of Porsche SE prior to the diesel issue coming to light which allegedly lost value after the issue became public in September 2015. The plaintiffs demand compensation for the asserted loss caused by inaccurate capital market information or the omission of such information by Porsche SE. Porsche SE considers the claims to be without merit and has rejected them.

Change in the composition of the supervisory board

Hans-Peter Porsche, who had already been appointed as a member of the supervisory board by the Stuttgart Local Court on 25 March 2015, was elected as a member of the supervisory board by the annual general meeting on 13 May 2015. He succeeds His Excellency Sheikh Jassim bin Abdulaziz bin Jassim Al-Thani, who retired from his position on the supervisory board effective as of the end of the day on 24 March 2015.

Prof. Dr. Ferdinand K. Piëch lays down his supervisory board mandates within the Volkswagen Group

On 25 April 2015, Prof. Dr. Ferdinand K. Piëch, announced his resignation with immediate effect from his position as chairman as well as member of the supervisory board of Volkswagen AG, and all other mandates within the Volkswagen Group.

Resignation of Prof. Dr. Martin Winterkorn

Porsche SE reached an agreement with Prof. Dr. Martin Winterkorn that he would cease his function as member and chairman of the executive board of Porsche SE as of the end of the day on 31 October 2015. In his function as chairman of the board of management of Volkswagen AG, Prof. Dr. Winterkorn had already assumed responsibility on 25 September 2015 for the irregularities concerning the software used for certain diesel engines, which had earlier come to light, and laid down his office.

Appointment of Matthias Müller to the Volkswagen Group board of management

On 27 February 2015, the supervisory board of Volkswagen AG appointed Matthias Müller, member of the Porsche SE executive board responsible for strategy and corporate development, as a member



of the group board of management of Volkswagen AG with functional responsibility as “Chairman of Dr. Ing. h.c. F. Porsche AG”, effective as of 1 March 2015. On 25 September 2015, Mr. Müller was appointed CEO of Volkswagen AG by the supervisory board of Volkswagen AG with immediate effect.

Assumption of new functions by Hans Dieter Pötsch

Hans Dieter Pötsch, CFO of Porsche SE, was appointed by the supervisory board to succeed Prof. Dr. Winterkorn as chairman of the executive board of Porsche SE, effective as of 1 November 2015. Mr. Pötsch, who had also been CFO of the Volkswagen Group since 2003, had already been appointed a member of the supervisory board of Volkswagen AG on 7 October 2015 by court appointment. On the same day, the supervisory board of Volkswagen AG appointed him chairman of the supervisory board with immediate effect. Also on 7 October 2015, the supervisory board of Volkswagen AG appointed Mr. Frank Witter, previously chairman of the board of management of Volkswagen Financial Services AG, Braunschweig, as successor of Mr. Pötsch on the board of management of Volkswagen AG.

Appointment of Dr. Manfred Döss to the executive board of Porsche SE

On 17 December 2015, the supervisory board of Porsche SE appointed Dr. Manfred Döss to the company’s executive board, effective as of 1 January 2016. He is responsible for the legal affairs and compliance function. As general representative of the company, Dr. Manfred Döss had already been in charge of the legal department of Porsche SE since May 2013.

Annual general meeting

The annual general meeting of Porsche SE, which was attended by around 4,000 shareholders, took place in Stuttgart on 13 May 2015. The dividend approved for the fiscal year 2014 amounted to €2.010 per share to holders of preference shares and €2.004 per share to holders of ordinary shares. In the prior year, the dividend had also been €2.010 per ordinary share and €2.004 per preference share. The amount distributed remained constant compared to the prior-year at €614,643,750. The executive board and supervisory board were exonerated. In addition, the annual general meeting approved control and profit and loss transfer agreements with the newly founded companies Porsche Zweite Beteiligung GmbH, Stuttgart, Porsche Dritte Beteiligung GmbH, Stuttgart, and Porsche Vierte Beteiligung GmbH, Stuttgart.



Significant events at the Volkswagen Group

The emissions issue

Irregularities in emissions

On 18 September 2015, the EPA publicly announced in a notice of violation that irregularities in relation to NO_x emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. It has been alleged that Volkswagen had used undisclosed engine management software installed in certain four-

cylinder diesel engines used in certain 2009 to 2015 model year vehicles to circumvent NO_x emissions testing regulations in the United States of America in order to comply with certification requirements. The US environmental authority of California – the CARB – announced its own enforcement investigation in this context. Following these announcements by EPA and CARB, authorities in various other jurisdictions worldwide commenced their own investigations. Volkswagen publicly admitted to irregularities on 22 September 2015.

On 2 November 2015, the EPA issued another notice of violation alleging that irregularities had also been discovered in the software installed in



vehicles with type V6 3.0 I TDI diesel engines. CARB also issued a letter announcing its own enforcement investigations in this context.

In the course of the internal investigations, the Volkswagen Group also encountered evidence that irregularities in the determination of the CO₂ figures for vehicles' type approvals in the EU28 countries could initially not be ruled out.

Extensive investigations by Volkswagen

Volkswagen's reaction has been comprehensive and the company is working intensively to clarify the irregularities. To this end, Volkswagen has ordered both an internal and an external investigation. The external investigation is being conducted with the involvement of external lawyers in Germany and the USA. To facilitate the investigations in the course of clarifying the facts, the group board of management established a cooperation program, which has been in place for a limited time that was open to all employees covered by collective agreements.

The supervisory board of Volkswagen AG formed a special committee that coordinates all activities relating to the emissions issue for the supervisory board. Volkswagen AG retained the US law firm Jones Day to conduct an independent and comprehensive external investigation of the diesel issue. The supervisory board will ensure that Jones Day can carry out its clarification work independently. Jones Day is updating the company on the current results of its investigation on an ongoing basis.

Furthermore, Volkswagen AG has filed a criminal complaint in September 2015 with the responsible public prosecutor's office in Braunschweig.

The Volkswagen Group is cooperating with all the responsible authorities to clarify these matters completely and transparently. Jones Day is supporting Volkswagen AG in its cooperation with the judicial authorities.

Diesel issue

Four-cylinder diesel engines

In its ad hoc release dated 22 September 2015, the Volkswagen Group announced that there were discrepancies in relation to NO_x emissions figures in vehicles with type EA 189 diesel engines. Around eleven million vehicles worldwide were affected.



This is attributable to the engine management software. The vehicles remain technically safe and ready to drive.

Technical solutions have been prepared for the three European variants of the type EA 189 engine affected. These solutions have been approved in principle by the German Kraftfahrtbundesamt (German Federal Motor Transport Authority) for Volkswagen AG and AUDI AG. The group brands SEAT and ŠKODA also received approvals in principle each from their respective type approval authorities – the Ministry of Industry in Spain and the Vehicle Certification Agency in the United Kingdom. Volkswagen is now working expeditiously to implement the technical solutions in order to ensure that all legal requirements are met in the EU28 member states. The recall of the highest-volume variant – the 2.0 l TDI engine – already began in January 2016. The recall of the 1.2 l TDI is expected to commence by the end of the second quarter. A software update is being performed for these engine versions. The implementation phase for the recall of the 1.6 l TDI engine is scheduled for the third quarter of 2016, which will provide additional lead time necessary for certain hardware modification. In the 1.6 l TDI engines, a “flow transformer” will be fitted in front of the air mass sensor to improve the sensor’s measuring accuracy. Combined with updated

software, this will optimize the amount of diesel injected. Based on current planning, implementation of measures will take at least the full 2016 calendar year to complete. Holders of affected vehicles will be notified by Volkswagen when their cars can have their software updated and, where appropriate, receive the modified hardware. Volkswagen guarantees that the solutions will be implemented free of charge.

In addition, Volkswagen AG has, until 31 December 2017, expressly waived citation of the statute of limitations with regard to any claims made in relation to the software installed in vehicles with engines of type EA 189 by vehicle customers outside the United States and Canada.

In some countries outside the EU – among others Switzerland, Australia and Turkey – national type approval is based on prior recognition of the EC/ECE type approval. The Volkswagen Group is also in close contact with the authorities in these countries in order to coordinate the corresponding actions.

In North America, three variants of certain four-cylinder diesel engines are affected. Due to considerably stricter NO_x limits in the USA, it is a greater technical challenge to refit the vehicles so that all applicable emissions limits can be met.



Volkswagen is currently in intensive discussions with the EPA and CARB regarding appropriate remedial measures. The solution for North America will be presented as soon as it has been agreed with the responsible authorities. The respective US companies of the Volkswagen Group have withdrawn all affected new vehicles from sale in the USA and Canada.

Clarification regarding four-cylinder diesel engines advancing

Some 450 internal and external experts are involved in the work to clarify the issue, which is divided into two investigations. The group internal audit, which involved bringing together experts from various group companies to form a task force, and focused – as instructed by the supervisory board and board of management – on reviewing relevant processes, reporting and control systems as well as the accompanying infrastructure. The group internal audit provided its findings to the external experts from Jones Day. The internationally renowned law firm has been appointed by Volkswagen AG to fully clarify the facts and responsibilities in a second investigation. Jones Day is receiving operational support from the auditing firm Deloitte.

The special investigation involves conducting briefings with employees and managers who have been identified by Jones Day as relevant sources of information in connection with the diesel issue. In addition, Jones Day is evaluating documents and data (such as e-mails) and conducting follow-up interviews based on the documents that are relevant for clarifying the facts. Relationships between the various areas under investigation will also be analyzed and the respective findings collected.

Based on the facts currently known by the group internal audit, in the past there were process deficiencies on the technical side in addition to misconduct on the part of individuals. This was true of the testing and certification processes for the engine control units, for example, which were unsuited to preventing the use of the software in question. The group internal audit proposed specific remedial measures to address the identified weaknesses, which focus on creating more clearly structured and systematic processes on the technical side. For example, the processes and structures used for approving the software for engine control units are being reorganized with more clearly defined and binding powers and responsibilities.



Volkswagen has already resolved to make comprehensive changes to testing practices as a key response to the group internal audit's findings. Therefore, Volkswagen has decided that in the future emissions tests, in general, will be externally evaluated by independent third parties. Real-world random tests of vehicles' emissions behavior on the road will also be introduced.

Furthermore, the internal control system has been optimized through a new set of regulations for the procedure in control unit software development, emission classification and escalation management.

While the group internal audit has already completed its analysis of the company's processes, the work being done by Jones Day will continue well into 2016. One reason for the different durations of the investigations is that the external investigators must screen very large volumes of data. By the end of December, over 100 terabytes of data had been secured and more than 1,500 electronic data storage devices from some 380 employees had been collected. Moreover, the external investigation is seeking to establish legal responsibility for what has occurred. This means that the findings not only need to be plausible and consistent with the evidence, but must also stand up in court.



Employees from the affected departments have been dismissed as a further direct consequence of the findings to date from the internal inquiries and external investigations.

The information that has been viewed so far has largely explained the origin and development of the diesel issue. The starting point was the strategic decision to launch a large-scale promotion of diesel vehicles in the USA in 2005. For this purpose, the company decided to develop a new diesel powertrain unit with the EA 189 type engine that features high performance and cost-efficient production.

The US emissions limits for emissions of pollutants are strict. Under the strictest standard in the USA at the time, only 31 mg/km of NO_x were allowed to be emitted, about six times less than under the Euro 5 standard applicable in Europe at that time. When designing state-of-the-art diesel engines, technicians and engineers face the challenge that any measures to reduce nitrogen oxides categorically have a knock-on effect on other parameters (e.g. CO₂).

In the ensuing period, in order to resolve this conflicting objective satisfactorily within the time frame and budget of the EA 189 project, according to the current state of knowledge, a group of persons – whose identity is still being determined – at levels below the group's management board in the powertrain development division, decided to modify the engine management software. With this software modification, emissions values were generated in bench testing that differed substantially from those under real driving conditions.

As things stand, outside the group of persons mentioned above, the then and current board of management of Volkswagen AG had, at any rate, no knowledge of the use of unlawful engine management software at the time. Even after the International Council on Clean Transportation (ICCT) study was published in May 2014, the discrepancies were initially regarded – on the basis of the facts currently known regarding the members of the board of management responsible at that time – as a technical problem that did not basically differ from other everyday technical problems at an automotive company. In the exhaust measurements carried out in-house at Volkswagen in the subsequent months, the test set-ups on which the ICCT study was based were repeated and the unusually high NO_x emissions confirmed. CARB was informed of this result, and at the same time the offer was made to recalibrate the type EA 189 diesel engines as part of a service measure that was already planned in the USA. This measure was evaluated and adopted by



the Ausschuss für Produktsicherheit (APS – product safety committee), which includes, among others, employees from the technical development, quality assurance, sales, production, logistics, procurement and legal departments, as part of the existing processes within the Volkswagen Group. The APS thus plays a central role in the internal control system at Volkswagen AG. There are currently no reliable findings to confirm that an unlawful software modification was reported by the APS as the cause of the discrepancies to the persons responsible for preparing the 2014 annual and consolidated financial statements. Instead, at the time that the annual and consolidated financial statements were being prepared, this group of people remained under the impression that the discrepancies could be eliminated with comparatively little effort as a part of a field measure. Based on what is currently known, the actual background of the discrepancies only became clear gradually to the members of the board of management dealing with the matter. It was only reliably recognized in the summer of 2015 that the cause of the discrepancies was a software modification, to be qualified as a so-called “defeat device” as defined by US environmental law. This culminated in the disclosure of the “defeat device” to the EPA/CARB on 3 September 2015. According to the assessment at that time of the members of the board of management dealing with the matter, the scope of the costs expected as a result by the

Volkswagen Group (recall costs, retrofitting costs and financial penalties), was basically not dissimilar to that of previous cases in which other vehicle manufacturers were involved, and therefore appeared to be controllable overall with a view to the business activities of the Volkswagen Group. This appraisal by Volkswagen AG was based on the assessment of a law firm brought in in the USA for approval issues, according to which similar cases in the past were resolved amicably with the US authorities. Publication of a notice of violation by the EPA on 18 September 2015, which came as a surprise to the company, on the facts and possible financial consequences, then presented the situation in a completely different light.

Six-cylinder diesel engines

On 2 November 2015, the EPA announced that it had determined that engine management software installed in vehicles with V6 3.0 I TDI diesel engines contained “auxiliary emission control devices” (AECs) which had not been disclosed adequately in the U.S. type approval process. Also on 2 November, and additionally on 25 November 2015, the CARB published allegations that legal requirements for NO_x emissions were circumvented through the use of engine management software under test conditions.



After discussions with the EPA and CARB, Audi publicly announced on 23 November 2015, that it would revise the software parameters and resubmit them for approval in the USA. The technical solutions will be implemented as soon as they have been approved by the authorities. Around 113 thousand vehicles from the 2009 to 2016 model years of the Audi, Volkswagen passenger cars and Porsche brands are affected in the USA and Canada. The respective US companies of the Volkswagen Group have withdrawn all affected new vehicles from sale in the USA and Canada.

Clarification regarding six-cylinder diesel engines

Audi has confirmed that a total of three AECs were not declared in the course of the US approval documentation.

To clarify this issue, Audi set up an internal task force, furnished committees with the necessary resources and launched a program of cooperation for employees covered by collective agreements. The law firm Jones Day is also conducting independent and comprehensive investigations into this matter.

The incumbent members of the board of management of AUDI AG have declared that prior to the notification by the US Environmental Protection Agency EPA in November 2015 they had no knowledge of matters concerning the V6 3.0 I TDI engines that the authorities are now treating as infringements.

The Volkswagen Group is consistently seeking to realize organizational and procedural potential for improvement that has come to light as a result of the diesel issue.

On 4 January 2016, the U.S. Department of Justice (DoJ), on behalf of the EPA, filed a civil complaint against Volkswagen AG, AUDI AG and other companies of the Volkswagen Group. The claims asserted under civil law are founded on the alleged use of illegal (defeat device) software in violation of the American Clean Air Act. The complaint's allegations relate to both the four-cylinder and the six-cylinder diesel engines, although technically Volkswagen AG group-wide held internal development responsibility for the four-cylinder diesel engine within the group, and AUDI AG for the V6 3.0 I TDI engines.



CO₂ issue

In the course of the internal investigation of all diesel engines, the Volkswagen Group additionally found that initially it could not rule out irregularities in determining the CO₂ figures for vehicle type approval in the EU28 member states. The CO₂ levels, and thus also the fuel consumption figures, appeared to have been set too low in the case of some vehicle models during the CO₂ certification process. On 3 November 2015, Volkswagen informed the public that around 800,000 vehicles, primarily with diesel engines, could be affected. The initial estimate put the economic risk at €2 billion.

Clarification of the CO₂ issue

The investigations conducted into the potentially illegal manipulation of CO₂ values did not bring about the adverse impact on earnings that had originally been expected. Just one month later, on 9 December 2015, the Volkswagen Group was able to publicly announce that clarification of the CO₂ issue had largely been completed. Following extensive internal reviews and measurement checks, Volkswagen found slight discrepancies in only a very limited number of engine-transmission variants from the Volkswagen passenger cars brand. These variants are now being reviewed by a neutral technical service under the supervision of the authorities. The discrepancies between the



stated figures and the values found during testing, on average, amount to a few grams of CO₂. No technical modifications to the vehicles are required and real-world consumption figures for customers are unchanged. The catalog figures will be adjusted for the affected variants in the course of normal processes.

Impact on the Volkswagen Group

Operating profit for 2015

As a result of the irregularities in the software used in certain diesel engines, risk provisioning totaling €16.2 billion were recognized and charged

to operating profit of the Volkswagen Group, primarily for pending technical modifications, for repurchases, and customer-related measures as well as legal risks. This was done mainly by recognizing provisions for performing measures in the field (service measures and recalls) and for repurchases of €7.8 billion as well as €7.0 billion for legal risks.

The special items originally expected as a result of the CO₂ issue have not materialized.

The Volkswagen Group has therefore adjusted its earnings targets accordingly, and has revised investment planning and intensified the ongoing efficiency program.

Legal risks

Various legal risks are associated with the diesel issue. The provisions recognized for this matter in the amount of €7.0 billion are partially subject to substantial estimation risks given the complexity of the individual factors, the ongoing approval process with the authorities and the fact that the comprehensive, exhaustive investigations have not yet been completed. The legal risks include

- Criminal and administrative proceedings all over the world (excluding the USA/Canada)
- Product-related lawsuits worldwide (excluding the USA/Canada)
- Lawsuits filed by investors worldwide (excluding the USA/Canada)
- Proceedings in the USA/Canada

Should these legal risks materialize and exceed the provisions already recognized, this could result in considerable financial charges. Further risks from the emissions issue can be found in the section “Report on opportunities and risks of the Volkswagen Group”.



Ratings

As a result of the emissions issue, Moody's Investors Service downgraded Volkswagen AG's short- and long-term ratings by one notch each from P-1 to P-2 and A2 to A3 in November 2015. The long-term ratings for Volkswagen Financial Services AG and Volkswagen Bank GmbH were downgraded from Aa3 to A1. The rating agency lowered the outlook for the companies from stable to negative.

In connection with the irregularities in the software used for certain diesel engines from the Volkswagen Group, in October 2015 Standard & Poor's initially downgraded the short-term and long-term ratings for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH by one notch each, to A-2 and A- respectively.

In a further step in December 2015, also as a result of the emissions issue, Standard & Poor's downgraded the long-term ratings for Volkswagen AG and Volkswagen Financial Services AG from A- to BBB+. The outlook for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH is negative (for further information on the effects of the downgrade of the company's ratings, we refer to the section "Report on opportunities and risks of the Volkswagen Group").

Share price development

The emergence of the news about irregularities in the software used in certain diesel engines and the resulting public speculation about possible consequences to be expected led to a sharp fall in the prices of Volkswagen AG's ordinary and preference shares in mid-September 2015. After reaching the lowest closing price for the year at the beginning of the fourth quarter, Volkswagen shares recovered temporarily from their sharp decline. As a result of the news that, as part of the internal examination of all diesel engines, Volkswagen also encountered evidence that irregularities in the determination of the CO₂ figures for vehicles' type approvals in the EU28 countries could initially not be ruled out, the prices of both classes of share trended lower again. As the fourth quarter progressed, the provision of technical solutions for customers of the Volkswagen Group in the EU28 countries to rectify the irregularities in NO_x emissions, and the clarification of the CO₂ issue led to a rise in the share price amid significant fluctuations.



Other significant events at the Volkswagen Group

Future organizational structure of the Volkswagen Group

At its meeting on 25 September 2015, the supervisory board of Volkswagen AG passed resolutions for restructuring the company. The group is to have a new management model, which has been being implemented since the beginning of 2016. The main changes are as follows:

At group level, the management structure will be based even more consistently on the modular toolkit system. In addition to Volkswagen passenger cars, SEAT and ŠKODA as the volume brands, Audi, Lamborghini and Ducati will form a brand group and Porsche will be in a brand group with Bentley and Bugatti. The commercial vehicles group with Scania and MAN as well as the Volkswagen commercial vehicles brand will remain in place, as will the power engineering and financial services business areas.

Furthermore, group functions will focus on efficiency and topics for the future. For this, organizational units will be set up for, among others, digitization, the toolkit and product strategy, new business fields, as well as cooperation and equity investments.

Existing corporate bodies, structures and processes will be streamlined at group level, in particular by strengthening the individual brands and regions. The research and development, production and sales functions will be strategically assigned at group level to the area for which the chairman of the board of management is responsible. The existing responsibilities for these functions in the group's board of management will be transferred to the new organizational structure.

Sale of Suzuki shares

On 29 August 2015, the arbitration ruling was delivered to the parties in the proceedings relating to the cooperation agreement between Volkswagen AG and the Suzuki Motor Corporation. It found that Volkswagen had acted in accordance with the agreement. The arbitration court also confirmed that Suzuki was in breach of contract and, on the merits of this case, acknowledged that Volkswagen had a claim to damages. In addition, the arbitration court established that the parties had the right to give regular notice to terminate the cooperation agreement. It said that Suzuki had exercised this right, ending the partnership. According to the court, the agreements had to be interpreted in such a way that Volkswagen had to sell its equity investment in Suzuki on termination of the partnership. Volkswagen subsequently sold its



19.9% equity investment in Suzuki to Suzuki on 17 September 2015 at the quoted market price of €3.1 billion. The sale of the shares generated income in the amount of €1.5 billion, which was recognized in the other financial result of the Volkswagen Group. In February 2016, Volkswagen and Suzuki agreed a settlement regarding the claims for damages brought by Volkswagen.

Volkswagen creates commercial vehicles group

The Volkswagen Group has bundled the mid-sized truck, heavy truck and bus businesses under Volkswagen Truck & Bus GmbH as the holding company for commercial vehicle brands MAN and

Scania. The brands continue to retain their independence. Volkswagen Truck & Bus GmbH manages the cooperation between the three commercial vehicles businesses – MAN Truck & Bus AG, MAN Latin America Ltda. and Scania AB. The company's management is headed by Mr. Andreas Renschler, the member of the group board of management responsible for commercial vehicles. The CEOs of the three commercial vehicles businesses, among others, are represented in the company's management. The objective is for strategy, development, HR and purchasing to be agreed jointly across the brands, allowing the full potential for synergies between the brands to be leveraged. As a producer of light commercial



vehicles, Volkswagen commercial vehicles will also form part of the integrated commercial vehicles group and will retain a close link with the Volkswagen passenger cars brand.

Cooperation between AUDI AG, the BMW Group and Daimler AG

In 2015, AUDI AG, the BMW Group and Daimler AG acquired the HERE maps and location services business from Nokia Corporation, Helsinki, Finland, for a purchase price of €2,602 million. The move aims to make HERE's products and services available for the long term in the form of an open, independent and value-creating platform for cloud-based maps

and mobility services. HERE's digital maps form the basis for the next generation of mobility and location services. These are the foundation for new assistance systems, all the way through to fully automated driving. Highly accurate digital maps are integrated with real-time vehicle data to increase road safety and enable innovative products and services.

Settlement with noncontrolling interest shareholders of MAN SE

The control and profit and loss transfer agreement between MAN SE, as the controlled company, and Volkswagen Truck & Bus GmbH (formerly Truck & Bus GmbH), a wholly owned subsidiary of Volkswagen AG, as the controlling company, came into force on its entry in the commercial register on 16 July 2013. The conclusion of the control and profit and loss transfer agreement replaced the group based on the de facto exercise of management control by a "contractual group", permitting considerably more efficient and less bureaucratic cooperation between the MAN Group and the rest of the Volkswagen Group. Noncontrolling interest shareholders of MAN SE have the right to tender MAN ordinary and preference shares in Volkswagen Truck & Bus GmbH during and two months after the conclusion of the award proceedings instituted in July 2013 to review the appropriateness of the cash settlement set out in the agreement in accordance with Sec. 305 of the German Stock Corporation Act (AktG) and the cash compensation in accordance with Sec. 304 of the AktG. The Munich Regional Court ruled in the first instance at the end of July 2015 that the settlement payable to the shareholders should be increased from €80.89 to €90.29 per share. Both Volkswagen and a number of the noncontrolling interest shareholders have appealed to the Higher Regional Court in Munich. Remeasurement of the put options and compensation rights resulted in an expense of €0.4 billion, which was recognized in the other financial result of the Volkswagen Group. At the end of December 2015, Volkswagen Truck & Bus GmbH held 75.56% of the ordinary shares and 46.19% of the preference shares of MAN SE.



Business development

The following statements in this section on deliveries, unit sales and production take into consideration operating developments in the passenger cars and commercial vehicles business areas at the Volkswagen Group. For the business development of Porsche SE, please refer to the sections “Significant events and developments in the Porsche SE Group” and “Results of operations, financial position and net assets”.

General economic development

The moderate growth rate of the global economy declined to 2.5% (prior year: 2.7%) in fiscal year 2015. The economic situation in the industrialized nations improved slightly, while economic performance in many emerging economies declined in the course of the year. Overall, inflation persisted at a low level despite the expansionary monetary policies of many central banks. Although the comparatively low energy and commodity prices weighed on the economies of individual exporting countries that depend on them, their effect on the global economy as a whole was supportive.

Worldwide new passenger car registrations

Worldwide, the number of new passenger car registrations increased slightly by 2.6% to 75.6 million vehicles in fiscal year 2015, exceeding the prior year’s record level. While Western Europe, Central Europe, North America and the Asia-Pacific region recorded significant increases in some cases, volumes in the passenger car markets in Eastern Europe and South America were again down substantially on the prior year.

Sector-specific environment

The global passenger car markets turned in a very mixed performance in the reporting period: demand recovered in important sales countries in Western Europe, the Chinese market expanded somewhat more slowly than in prior years and Russia and Brazil saw considerable declines.

The sector-specific environment was to a significant extent influenced by fiscal policy measures, which contributed substantially to the mixed trends in sales volumes in the markets in the past fiscal year. The instruments used for this were: tax reductions or increases, incentive programs and sales incentives as well as import duties.



In addition, non-tariff trade barriers to protect the respective domestic automotive industry made the free movement of vehicles, parts and components more difficult. Protectionist tendencies were particularly evident where markets were on the decline.

Trends in the markets for commercial vehicles

In 2015, demand for light commercial vehicles was down on the prior year: in total, around 10.3 million (prior year: 11.3 million) vehicles were registered worldwide. Global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes fell significantly short of the prior-year level in fiscal year 2015. Demand for buses, both globally and in the markets that are relevant for the Volkswagen Group, was lower than in the prior year.

Passenger car deliveries worldwide

With its brands, the Volkswagen Group has a presence in all relevant automotive markets around the world. Western Europe, China, the USA, Brazil and Mexico are currently the key sales markets for the group. Thanks to its wide range of attractive and efficient vehicles, the Volkswagen Group has a strong position amid persistently challenging competition.

Under increasingly difficult conditions in relevant markets, such as Brazil, China and Russia, deliveries of passenger cars to customers amounted to 9,320,681 units in the reporting period, 1.8% fewer than in the prior year. The passenger car market as a whole expanded by 2.6% in 2015, which meant that the Volkswagen Group's share of the global market declined to 12.3% (prior year: 12.9%). The Volkswagen Group achieved the highest growth in absolute terms in Germany. The sales figures in Brazil, China and Russia were impacted significantly by low demand. In the fourth quarter of 2015, the emissions issue affected the individual markets in Western Europe and in the USA and Canada in different ways, depending on the brand and market.

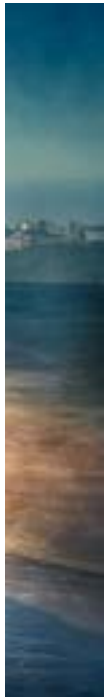
The Volkswagen Group delivered a total of 609,836 commercial vehicles to customers worldwide in the reporting period, 5.7% fewer than in the prior year. Trucks accounted for 161,901 units (down 9.9%), and buses accounted for 17,134 units (down 15.5%).



Deliveries of passenger cars, light commercial vehicles, trucks and buses¹

	2015	2014	Change %
Regions			
Europe/Other markets	4,504,935	4,392,122	2.6
North America	931,873	892,785	4.4
South America	558,594	794,829	-29.7
Asia-Pacific	3,935,115	4,057,708	-3.0
Worldwide	9,930,517	10,137,444	-2.0
by brands			
Volkswagen passenger cars	5,823,408	6,118,654	-4.8
Audi	1,803,246	1,741,129	3.6
ŠKODA	1,055,501	1,037,226	1.8
SEAT	400,037	390,505	2.4
Bentley	10,100	11,020	-8.3
Lamborghini	3,245	2,530	28.3
Porsche	225,121	189,849	18.6
Bugatti	23	45	-48.9
Volkswagen commercial vehicles	430,801	446,616	-3.5
Scania	76,561	79,782	-4.0
MAN	102,474	120,088	-14.7

¹ Deliveries for 2014 have been updated to reflect subsequent statistical trends. Includes the Chinese joint ventures.



Sales and production of the Volkswagen Group

In 2015, the Volkswagen Group's worldwide unit sales to the dealer organization – including the Chinese joint ventures – amounted to 10,009,605 vehicles, down 2.0% on the prior-year figure. The decrease of 2.7% in unit sales outside Germany is primarily attributable to weaker demand for group models in Brazil, China and Russia. In Germany, the number of vehicles sold increased by 2.5%. The Volkswagen Group produced 10,017,191 vehicles worldwide in the reporting period, 1.9% fewer than in the prior year. The percentage of the group's total production accounted for by Germany was higher than in the prior year, at 26.8% (prior year: 25.1%).

Headcount of the Volkswagen Group

The Volkswagen Group's headcount was 610,076 employees (up 3.0%) at the end of the reporting period. Significant factors for the increase in employees were the expansion of the workforce in the new plants of the Volkswagen Group in China, Poland and Mexico and the recruitment of specialists, particularly in Germany and China. A total of 278,685 people were employed in Germany (up 2.8%), while 331,391 were employed abroad (up 3.1%).

Volkswagen Group financial services

The financial services division combines the Volkswagen Group's dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility offerings. The division comprises Volkswagen financial services (including the financial services business of MAN Finance International GmbH since 1 January 2014) and the financial services activities of Scania, Porsche and Porsche Holding Salzburg. The number of new contracts signed worldwide in the customer financing/leasing and service/insurance areas rose by 3.9% year-on-year in 2015 to 5.6 million. The total number of contracts was 14.4 million as of the end of 2015, surpassing the figure at the prior-year reporting date by 7.3%. The number of contracts in the customer financing/leasing area was up by 6.6% to 8.9 million, while the number of contracts in the service/insurance area increased by 8.6% to 5.5 million. The ratio of leased or financed vehicles to group deliveries (penetration rate) increased to 31.5% (prior year: 30.7%) in the financial services division's markets.



Results of operations, financial position and net assets

In the following explanations, the results of operations as well as the financial position and net assets for the fiscal year 2015 are compared to the corresponding comparative figures for the period from 1 January to 31 December 2014 (results of operations and financial position) and as of 31 December 2014 (financial position and net assets).

Porsche SE has found that the carrying amount of the investment accounted for at equity in Volkswagen AG recognized in the past was too high. This was due to Volkswagen AG's pension provisions having been valued too low in the purchase price allocation as of 3 December 2009. In accordance with IAS 8, it was therefore necessary to retrospectively restate the carrying amount of the investments accounted for at equity, group equity, deferred tax liabilities, profit/loss from investments accounted for at equity, and thus group profit/loss before tax and group profit/loss for the year; the respective restated figures are presented in the following explanations.

Results of operations of the Porsche SE Group

The Porsche SE Group's profit/loss for the fiscal year 2015 comes to minus €273 million (prior year: €3,035* million, before restatement: €3,028 million). This result includes the profit/loss from the investments accounted for at equity of minus €436 million (prior year: €3,441* million: before restatement: €3,434 million), of which minus €434 million (prior year: €3,442* million: before restatement: €3,435 million) was attributable to the investment in Volkswagen AG and minus €2 million (prior year: minus €1 million) to the investment in INRIX acquired in September 2014. The profit for the year of between €2.8 billion and €3.8 billion originally forecast for the fiscal year 2015 was therefore not achieved. This is attributable to the lower than originally expected result from investments accounted for at equity from the investment in Volkswagen AG. This earnings indicator is based on the profit for the year of the Volkswagen Group, which was negatively impacted in particular by the unexpected burdens from the diesel issue in the fiscal year 2015.

* Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8.



Other operating income decreased in the fiscal year 2015 in comparison to the prior year from €14 million to €7 million. This decrease mainly results from the lower income from the reversal of provisions for litigation costs compared to the prior year.

Personnel expenses in the Porsche SE Group came to €15 million in the period from 1 January to 31 December 2015 (prior year: €15 million).

Other operating expenses decreased from €70 million in the prior year to €31 million in the fiscal year 2015. They mainly pertain to legal and consulting fees, expenses for other external services, other taxes as well as, in the reporting period, back payments for contributions for the Chamber of Industry and Commerce made. The decrease in other operating expenses is attributable in particular to the expenses included in the prior year from additions for provisions in connection with tax field audits, which did not relate to income taxes.

Profit/loss from investments accounted for at equity decreased from €3,441* million to

minus €436 million. The share of profit/loss from investments accounted for at equity attributable to the investment in Volkswagen before effects from changes of the share in capital decreased in particular as a result of the expenses incurred at the level of the Volkswagen Group for risk provisioning in connection with the diesel issue of €3,378 million to minus €643 million. In addition, the profit contribution of the Volkswagen Group includes effects from changes in Porsche SE's share in the subscribed capital of Volkswagen AG:

- As a result of the purchase of ordinary shares in Volkswagen AG on 30 September 2015, the share in capital increased from 31.5% to 32.4% as of that date. The purchase resulted in a provisional book gain without an effect on cash of €448 million. As a residual value, this resulted from the difference between the equity of the Volkswagen Group attributable to the purchased tranche, which is remeasured in the course of a purchase price allocation, and the purchase price for this tranche and results mainly from taking into consideration brands and investments of the Volkswagen Group at their fair values in the course of the purchase price allocation. In

* Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8.



addition, negative effects on the share price resulting from the diesel issue and, consequently, on the purchase price did not have to be accounted for to the same extent in the purchase price allocation. The purchase price allocation that has to be performed for this acquisition has not yet been completed. The results of the purchase price allocation and the resulting book gain can still change depending on the hidden reserves and liabilities that still have to be identified – particularly in connection with new findings regarding the diesel issue – and are therefore provisional.

- Due to the issue of the new Volkswagen preference shares until the beginning of November 2015 in connection with mandatory convertible bonds issued by Volkswagen, Porsche SE's share in the capital of Volkswagen AG decreased from 32.4% to 30.8%. In the fiscal year 2015, this dilution had a total negative impact of €239 million on the Porsche SE Group, which affected profit/loss but not cash. In the prior year, a dilution of the share in capital (at that time 32.2%) to 31.5% in connection with a capital increase carried out at Volkswagen AG had a total positive impact of €64* million

(before restatement: €57 million) which affected profit/loss but not cash.

The profit/loss from investments accounted for at equity also includes effects resulting from the subsequent measurement of the purchase price allocations for Volkswagen and INRIX. The profit/loss from investments accounted for at equity was reduced by €84 million (prior year: €81 million) in total by the subsequent effects of these purchase price allocations, i.e., the subsequent measurement of hidden reserves and liabilities identified in the process.

The financial result comes to €19 million in the reporting period (prior year: minus €76 million). The increase in comparison to the prior year is attributable to income from tax interest of €59 million (prior year: €0 million) pertaining to refunds of tax interest paid in the past and interest received on tax refunds for the 2009 assessment period. In the reporting period, this amount also contains in particular expenses from loan interest of €21 million (prior year: €21 million), as well as expenses for interest on tax back payments of €20 million (prior year: €61 million).

* Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8.



Profit/loss before tax decreased from €3,294* million (before restatement: €3,287 million) in the prior year to minus €456 million. The income from income taxes of €183 million relates on the one hand to current income taxes of €169 million. This comprises in particular income in connection with tax refunds received for the 2009 assessment period of €221 million and expenses for prior assessment periods of €52 million (prior year: tax expenses in connection with previous assessment periods of €255 million). On the other hand, there was also income from deferred taxes of €14 million (prior year: expenses of €4 million). Overall, this gave rise to group profit/loss for the fiscal year 2015 of minus €273 million (prior year: €3,035* million) in the fiscal year 2015.

Financial position of the Porsche SE Group

The cash flow from operating activities came to €599 million in the fiscal year 2015 (prior year: €311 million). This includes in particular the positive effect from the dividend payment received from Volkswagen AG of €719 million (prior year: €599 million). In addition, refunds of income tax for the 2009 assessment period and for tax on investment income resulted in a cash inflow of €424 million (prior year: €0 million); there was a cash outflow for income taxes of €384 million (prior year: €183 million). The other cash outflows of €160 million are attributable in particular to interest payments (including interest paid on taxes) and operating expenses.

There was a cash outflow from investing activities totaling €255 million in the fiscal year 2015 (prior year: inflow of €825 million). In the reporting period, the increase in the securities portfolio and the acquisition of ordinary shares in Volkswagen AG resulted in a cash outflow totaling €994 million. There was a cash outflow as a result of the €739 million reduction in the amount of time deposits with an original term of more than three months. In the prior year, the acquisition of the investment in INRIX

* Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8.



and the change in the securities portfolio resulted in a cash outflow of €41 million and €295 million respectively. In the prior year, this was countered by the change in the amount of time deposits with an original term of more than three months, which led to a cash inflow of €1,161 million.

As in the prior year, there was a cash outflow from financing activities of €615 million in the fiscal year 2015. In both years, this exclusively related to the corresponding amount of the dividends distributed to the shareholders of Porsche SE.

Compared to 31 December 2014, cash funds decreased by €271 million to €712 million.

Gross liquidity, i.e., cash and cash equivalents, time deposits and securities of the Porsche SE Group, decreased from €2,567 million in the prior year to €2,004 million as of 31 December 2015. Taking into account the loan liabilities of €300 million due to the Volkswagen Group, net liquidity – i.e., gross liquidity less financial liabilities – is clearly positive at €1,704 million as of 31 December 2015. The original forecast from the prior year regarding the development of net liquidity in the fiscal year 2015 of between €1.7 billion and €2.3 billion was therefore confirmed, even taking into consideration the investment made in Volkswagen ordinary



shares. As of 31 December 2014, net liquidity came to €2,267 million.

Liabilities to the Volkswagen Group pertain to a loan of €300 million. This is subject to interest on a quarterly basis at a rate of 6.91% per annum and matures on 18 June 2017.

Net assets of the Porsche SE Group

The Porsche SE Group's total assets decreased by €2,531 million from €30,157* million (before

restatement: €30,465 million) as of 31 December 2014 to €27,626 million as of 31 December 2015.

The non-current assets of the Porsche SE Group as of 31 December 2015 totaling €25,611 million (31 December 2014: €27,407* million, before restatement: €27,715 million) almost exclusively comprise the shares accounted for at equity. These include the carrying amount of the investment in Volkswagen AG accounted for at equity, which fell in comparison to the end of the fiscal year 2014 from €27,364* million (before restatement: €27,672 million) to €25,571 million. The profit/loss from investments accounted for at equity resulted in a decrease in the carrying amount of the investment accounted for at equity (minus €1,534 million; without taking into account the effects from the reclassification of other comprehensive income of €21 million as well as reclassifications to profit or loss as a result of the valuation of Porsche SE's share in the capital of Volkswagen AG of €1,079 million), dividend payments received (minus €719 million), as well as other effects, which resulted in particular from the change in expenses and income recognized directly in equity (minus €87 million). The purchase of shares of €547 million had the effect of increasing the carrying amount. Despite the decrease in the proportional market capitalization to below the carrying amount of the investment as a result of the development of the prices of the Volkswagen ordinary and preference shares, there was no need to recognize an impairment loss for the investment in Volkswagen AG on the basis of the earnings forecasts, even taking into consideration the diesel issue.

The shares accounted for at equity also include the carrying amount of the investment in INRIX, which totaled €38 million as of 31 December 2015 (31 December 2014: €41 million).

* Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8.



Non-current assets expressed as a percentage of total assets increased from 90.9%* (before restatement: 91.0%) as of 31 December 2014 to 92.7% at the end of the fiscal year 2015.

Current assets come to €2,015 million (31 December 2014: €2,750 million). This figure includes securities, which amount to €742 million as of 31 December 2015 (31 December 2014: €295 million). In particular as a result of the acquisition of ordinary shares in Volkswagen AG and of securities, there was a decrease in time deposits from €1,289** million as of 31 December 2014 to €550 million as of 31 December 2015 and in cash and cash equivalents from €983** million as of 31 December 2014 to €712 million as of the reporting date. Moreover, current assets include income tax receivables of €5 million (31 December 2014: €174 million) as well as other receivables and assets of €6 million (31 December 2014: €9 million). The decrease in income tax receivables is attributable in particular to the refunds of tax on investment income of €140 million in connection with the assessment for the fiscal year 2013.

As a percentage of total assets, current assets fell from 9.1%* (before restatement: 9.0%) to 7.3% as of 31 December 2015.

The equity of the Porsche SE Group decreased as of 31 December 2015, in particular as a result of the negative result taking into consideration the reclassification arising from the dilution of the share in capital in Volkswagen AG and the dividend distributed for the fiscal year 2014, to a total of €27,112 million (31 December 2014: €29,187* million, before restatement: €29,493 million). The equity ratio increased from 96.8% in the prior year to 98.1% as of 31 December 2015.

Current and non-current provisions decreased from €592 million as of 31 December 2014 to €174 million. This decrease is mainly attributable to payments in connection with the completed tax field audit for the assessment periods 2006 to 2008 and corresponding notices issued for other past assessment periods.

* Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8.

** Adjustment of the disclosure in the consolidated balance sheet pursuant to IAS 8.



Non-current financial liabilities as of 31 December 2015 remained unchanged compared to 31 December 2014, at €300 million.

Results of operations of the significant investment

The following statements relate to the original profit/loss figures of the Volkswagen Group in the fiscal year 2015. This means that effects from inclusion in the consolidated financial statements of Porsche SE, particularly relating to the subsequent measurement of the hidden reserves and liabilities identified in the course of the purchase price allocations, as well as from applying uniform group accounting policies, are not taken into consideration.

The Volkswagen Group generated sales revenue of €213,292 million in fiscal year 2015, 5.4% higher than in the prior year. The increase was mainly attributable to improvements in the mix, positive exchange rate effects and the positive business development in the financial services division. The group generated 80.2% (prior year: 80.6%) of its sales revenue outside Germany.


At €33,911 million (prior year: €36,524 million), gross profit was below the level of the prior year. The cost of sales rose by 8.1%, primarily as a result of the charges in connection with the diesel issue. In

addition, higher depreciation and amortization charges as a result of the high volume of capital expenditures and higher upfront expenditures – especially for new drive concepts – had a negative effect, while optimized product costs had a positive effect. The gross margin was 15.9% (prior year: 18.0%) or 19.9% excluding special items.

Distribution expenses rose by 15.9% in the reporting period due to the diesel issue and exchange rate changes; the ratio of distribution expenses to sales revenue also increased. Administrative expenses were up 5.2% on the prior year, although the ratio of administrative expenses to sales revenue remained unchanged. The other operating result declined by €10,573 million to minus €7,267 million, mainly as a result of negative exchange rate effects, legal risks in connection with the diesel issue and restructuring measures in the trucks business and in the passenger cars business area in South America.

Excluding the special items, the Volkswagen Group's operating result in fiscal year 2015 was on a level with the prior year, at €12.8 billion. Lower vehicle volumes, higher depreciation and amortization charges, and higher research and development expenditures were opposed in part by optimized product costs, improvements in the mix and more favorable exchange rates. The operating return on sales before special items was 6.0% (prior year: 6.3%).





Negative special items totaled €16.9 billion in the fiscal year 2015. The negative special items relating to the diesel issue amounted to €16.2 billion and were recognized in the operating result. The operating result was also impacted by special items relating to restructuring expenses in the trucks business (€0.2 billion) and in the passenger cars area in South America (€0.2 billion). The restructuring measures serve to sustainably enhance competitiveness. Additionally, the competent authorities directed all automobile manufacturers affected to replace potentially faulty airbags manufactured and supplied by Takata, resulting in a requirement to recognize provisions. The recall and replacement of the airbags is limited to the USA and Canada, 0.9 million Volkswagen Group vehicles are affected. The special items recognized in the operating result relating to these measures amount to minus €0.3 billion. As a result, the operating result declined sharply to minus €4,069 million (prior year: €12,697 million); the operating return on sales decreased to minus 1.9% (prior year: 6.3%).

The Volkswagen Group's earnings before tax amounted to minus €1,301 million in fiscal year 2015, €16,095 million lower than in the prior year. The return on sales before tax decreased from 7.3% to minus 0.6%. The income tax expense amounted to €60 million (prior year: €3,726 million). Earnings after tax were down €12,429 million on the prior-year figure, at minus €1,361 million.



Porsche Automobil Holding SE (financial statements pursuant to the German Commercial Code)

The separate financial statements of Porsche SE for the fiscal year 2015 cover the reporting period from 1 January to 31 December 2015.

Results of operations

Porsche SE achieved a net profit of €871 million in the fiscal year 2015 (prior year: €193 million).

Other operating income in the fiscal year 2015, as in the prior year, mainly pertains to income from the reversal of provisions of €7 million (prior year: €12 million).

Other operating expenses for the fiscal year 2015 mainly contain legal and consulting costs of €12 million (prior year: €23 million), expenses for other external services of €9 million (prior year: €10 million) and back payments for contributions for the Chamber of Industry and Commerce of €2 million (prior year: €0 million). In the prior year, expenses from refund obligations toward affiliated companies of €14 million were in particular also included in other operating expenses.

In the fiscal year 2015, Porsche SE received a dividend from its investment in Volkswagen AG of €719 million (prior year: €599 million).

The interest result for the fiscal year 2015 increased from minus €77 million in the prior year to €23 million. This is attributable in particular to income from tax interest of €59 million (prior year: €0 million), which significantly contributed to the increase in interest income from €11 million in the fiscal year 2014 to €66 million in the fiscal year 2015. Interest expense decreased overall to €43 million compared to the fiscal year 2014 (€88 million). This amount mainly contains expenses from loan interest of €21 million (prior year: €21 million), as well as for interest on tax back payments of €20 million (prior year: €61 million).

Income from ordinary activities improved from €463 million in the comparative period to €704 million in the fiscal year 2015.

In the fiscal year 2015, there was tax income of €167 million. This comprises income as a result of tax refunds received for the 2009 assessment period of €221 million, tax expenses in connection with previous assessment periods of €52 million and expenses for other taxes of €2 million. In the prior



year, there were tax expenses from additions to tax provisions as well as taxes paid totaling €255 million and expenses from other taxes of €15 million.

Income statement of Porsche Automobil Holding SE

€ million	2015	2014
Other operating income	7	15
Personnel expenses	-16	-18
Other operating expenses	-29	-55
Income from investments	719	598
Interest result	23	-77
Income from ordinary activities	704	463
Income tax	169	-255
Other tax	-2	-15
Net profit	871	193
Withdrawals from retained earnings	0	422
Transfer to retained earnings	-435	0
Net profit available for distribution	436	615



Net assets and financial position

In addition to the investment held in Volkswagen AG, the carrying amount of which in the separate financial statements has increased from €21,487 million to €22,034 million as a result of the acquisition of Volkswagen ordinary shares, the financial assets of Porsche SE comprise the investment of €43 million in Porsche Beteiligung GmbH, which in turn holds the investment in INRIX. Despite the decrease in the proportionate market capitalization to below the carrying amount of the investment, there was also no need, on the basis of the earnings forecasts, even taking into consideration the diesel issue, to recognize an impairment loss for the investment in Volkswagen AG in the separate financial statements prepared in accordance with the German Commercial Code. In addition, the financial assets also include securities classified as fixed assets of €200 million, which pertain to shares in a newly established alternative investment fund in the second quarter of 2015.

Securities classified as current assets come to €558 million as of 31 December 2015 (31 December 2014: €295 million). These mainly comprise asset-backed commercial papers.

Cash and cash equivalents decreased particularly as a result of the acquisition of ordinary shares in Volkswagen AG and securities and shares in an alternative investment fund, from €2,271 million as of 31 December 2014 to €1,250 million as of 31 December 2015.

Provisions contain provisions for pensions and similar obligations, tax provisions as well as other provisions. The decrease in provisions from €590 million as of 31 December 2014 to €169 million as of 31 December 2015 is mainly attributable to payments in connection with the completed tax field audit for the assessment periods 2006 to 2008 and corresponding notices issued for other past assessment periods. Liabilities pertain in particular to a loan to an affiliated company.



Balance sheet of Porsche Automobil Holding SE

€ million	31/12/2015	31/12/2014
Assets		
Financial assets	22,277	21,530
Other assets	7	181
Receivables from affiliated companies	1	0
Marketable securities	558	295
Cash and cash equivalents	1,250	2,271
Prepaid expenses	1	2
	24,094	24,279
Equity and liabilities		
Equity	23,608	23,351
Provisions	169	590
Liabilities	317	338
	24,094	24,279

**Risks relating to the business development**

The risks relating to the development of Porsche SE's business as the parent company of the Porsche SE Group are closely connected to the risks relating to the significant investment in Volkswagen AG. Acting as a holding company also entails additional risks. Please refer to the section "Opportunities and risks of future development" for a description of these risks.

Dividends

Porsche SE's dividend policy is generally geared to sustainability. In view of the diesel issue at the level of the Volkswagen Group, the executive board of Porsche SE considers it appropriate to reduce the dividend distributed for the fiscal year 2015 in comparison to the prior year.



Dependent company report drawn up

As in previous years, in accordance with Sec. 312 AktG, Porsche SE has drawn up a report on relations with companies affiliated with holders of its ordinary shares (dependent company report). The conclusion of this report is as follows: "In accordance with the circumstances known to it when the transactions or measures stated in the report were conducted, Porsche Automobil Holding SE has rendered or, as the case may be, received reasonable payment. The company was not disadvantaged by these transactions or measures."

Outlook

In the 2016 separate financial statements prepared in accordance with the German Commercial Code, based on the dividend proposed by the board of management and supervisory board of Volkswagen AG of €0.11 per ordinary share and €0.17 per preference share and the operating expenses, which are anticipated to remain constant, Porsche SE is expected to incur a net loss for the period.

Of the net profit for the year of €871 million reported in the separate financial statements of Porsche SE as of 31 December 2015, €435 million has been transferred to retained earnings, leaving a net profit available for distribution of €436 million. The executive board proposes a resolution for the distribution of a dividend of €1.004 per ordinary share and €1.010 per preference share, i.e., a total distribution of €308,393,750. For the fiscal year 2014, the dividend had been €2.004 per ordinary share and €2.010 per preference share.



Sustainable value enhancement in the Porsche SE Group and in the Volkswagen Group

With the acquisition of long-term investments, Porsche SE's strategic objective is to promote the development of these investments, thereby generating a sustainable increase in the value of net assets.

Porsche SE's network of experts is a key factor for a successful investment strategy. Excellent integration into one of the largest automotive networks worldwide coupled with the expertise of the ordinary shareholders is a central element when it comes to identifying, implementing and further developing investment projects. Porsche SE will make use of this network under applicable company group law. Moreover, Porsche SE is continuing to expand its network, in particular to include experts from industry, banks and consulting.

Porsche SE's core competencies lie in identifying, reviewing and developing investments, utilizing its entire network. The network plays a particular role in supporting the management teams responsible for investments with the implementation of long-term and sustainable growth strategies.

This section presents the main non-financial key performance indicators of the Volkswagen Group. These value drivers help raise the value of this significant investment held by Porsche SE in the long term. They include the processes in the areas of research and development, procurement, production, sales and marketing, and quality assurance. Above all, Volkswagen is aware of its responsibility toward its customers, its employees and society.

Corporate social responsibility and sustainability in the Volkswagen Group

The Volkswagen Group is committed to transparent and responsible corporate governance. Implementing this across all levels and every step of the value chain is a challenge: with twelve brands, 119 production locations and more than 610,000 employees, the Volkswagen Group is one of the world's largest companies.

For the Volkswagen Group, sustainability means simultaneously striving for economic, social and environmental goals in a way that gives them equal priority. The Volkswagen Group wants to create enduring value, provide good working conditions and handle the environment and resources with care. In conjunction with the



emissions issue, Volkswagen has failed to meet its own standards in a number of respects. The irregularities in the handling of emissions figures are contrary to everything Volkswagen stands for. The Volkswagen Group deeply regrets this and is aware that it has disappointed its stakeholders. Volkswagen is doing everything in its power to make sure that the same thing never happens again. The Volkswagen Group is working urgently to live up to its own standards again and restore customers' and society's confidence. Volkswagen is comprehensively revising its sustainability concept. This is aimed at ensuring that risks and development opportunities in the areas of environment, society and governance are recognized at an early stage at every step along the value chain. In this way, Volkswagen Group's corporate social responsibility (CSR) activities will contribute to permanently boosting the company's reputation and value again in the long term.

Management and coordination

The Volkswagen Group has created a clear management structure for coordinating sustainability and CSR. Its highest committee is the group board of management (sustainability board). It is regularly informed by the group CSR & Sustainability steering group on the issues of sustainability and corporate responsibility. The

group CSR & Sustainability steering group's members include executives from central board of management business areas and representatives of the group works council and of the brands and regions. Among other things, the steering group makes decisions on the strategic sustainability goals, monitors the extent to which they are being met using management indicators, identifies key action areas and approves the sustainability report.

The CSR & Sustainability office supports the steering group. Its duties include coordinating all sustainability activities within the group and the brands, but also coordinating the stakeholder dialog at group level, for example with sustainability-driven analysts and investors. CSR project teams work on topics across business areas, such as reporting, stakeholder management, or sustainability in supplier relationships. This coordination and working structure is also largely established across the brands and is constantly expanding. Since 2009, the CSR & Sustainability coordinators for all brands and regions have come together once a year to promote communication across the group, establish consistent structures and learn from one another. This group CSR meeting has proven itself an integral part of the group-wide coordination structure. At the end of the reporting year, in light of the diesel issue Volkswagen discussed the group's sustainability performance based on an analysis of



strengths and weaknesses. The results are being looked at in-depth in the sustainability committees and are being incorporated in the group's comprehensive realignment.

“Future Tracks”

The automotive industry is facing the greatest upheavals in its history. Alternative drive systems, the digitization of the entire value chain and rapidly changing global customer expectations of mobility will shape the coming years. In response, the Volkswagen Group has launched the “Future Tracks” program: solutions for the fundamental upheavals and challenges are being developed at board of management and senior executive level. “Future Tracks” brings together all topics, activities and measures that the Volkswagen Group is deploying now and will be deploying in the coming years to prepare for the major issues of the future – across all brands and regions and throughout the entire Volkswagen Group.

From a technical viewpoint, the Volkswagen Group's work focuses on drive technologies, digitization and the networking of products and production. Added to this are new requirements for individual mobility and mobility-related services. The Volkswagen Group's efforts aim to ensure that it

takes a leading role in shaping and influencing the new world of mobility.

A solid commercial basis is essential to be able to tackle these challenges successfully. For this reason, “Future Tracks” has been introduced not only as a forward-looking program – it also focuses on efficiency. Volkswagen Group's intention is to continue to grow profitably, ensuring that it is always in the position to invest in its future. The Volkswagen Group is thus creating the foundations to shape the automotive transition and to ensure long-term success.

Research and development

The Volkswagen Group's research and development activities in fiscal year 2015 concentrated on expanding its product portfolio and improving the functionality, quality, safety and environmental compatibility of its products.

A central challenge for Volkswagen is to recognize new developments in society, politics, technology, the environment and the economy at an early stage. These form an important basis for innovations and thus the Volkswagen Group's business success. The Volkswagen Group's research constantly addresses the latest trends and



has established research offices in the key global automotive markets – including China, Japan and the United States. They monitor technological areas relevant to the automotive industry, conduct cooperative projects with research institutions and local companies, thereby gaining enlightening new insights for the Volkswagen Group.

Key R&D figures

The Volkswagen Group's automotive division's total research and development costs of €13,612 million were up 3.8% year-on-year in the reporting period. Along with the new models, the main focus was on the electrification of the vehicle portfolio, a more efficient range of engines, lightweight construction, digitization and the development of toolkits. Development costs of €5,021 million were capitalized (prior year: €4,601 million). The capitalization ratio rose to 36.9% (prior year: 35.1%). Amortization of capitalized development costs in the reporting year 2015 came to €3,263 million compared to €3,026 million in the prior year. Research and development costs recognized in the income statement in accordance with IFRSs increased to €11,853 million (prior year: €11,545 million). This meant that their ratio to sales revenue in the automotive division amounted to 6.4% (prior year: 6.5%).

As of the end of 2015, the research and development function – including the equity-accounted Chinese joint ventures – employed 48,731 people group-wide (up 6.5%), corresponding to 8.0% of the total headcount.

Procurement

In 2015, the focus of procurement was essentially on safeguarding the provision of Volkswagen Group's needs, safeguarding vehicle start-ups and opening up new procurement markets for the best possible implementation of the procurement strategy in a targeted way and implementing "Volkswagen FAST" initiative.





Volkswagen FAST – Future Automotive Supply Tracks

FAST is the central initiative of group procurement for developing the Volkswagen Group and its supply network in a future-proof way within the framework of Future Tracks. The goal of FAST is to successfully implement the key topics of innovation and globalization through involving suppliers earlier and more intensively. The Volkswagen Group will work even more closely and quickly with its most important partners in the FAST initiative. In addition, some processes in the field of innovation and globalization that are available to all suppliers will be revised as part of the program. After the start of the program at the beginning of 2015, the suppliers who had an excellent record in their field of expertise were selected in a systematic and standardized qualification process. Global strategies and technological focuses are coordinated even more closely with these partners, with the common goal of making impressive technologies available to the customers even faster and implementing worldwide vehicle projects more effectively and efficiently.

The Volkswagen Group continuously reviews these strategic partnerships and changes who is included among its FAST suppliers as required. For example, suppliers not previously selected continue to have the opportunity to qualify for the initiative.

Procurement's process optimization program

Since the end of 2015, almost all the group's brands and companies have been working within procurement with uniform and fully digital processes. In 2014, the Volkswagen Group began including external partners in its digital networks as real-time partners. They can access the Volkswagen Group's systems at any time to receive the



necessary and updated information. The goal is to connect a global standardized digital network of all procurement's work processes with suppliers within the next four to five years. In order to optimize and completely digitize points of contact in the work with Volkswagen's suppliers, the "Supplier Interaction Management" program was created.

Digitization of supply

The group business platform as the central interface between the Volkswagen Group and its partners forms the basis for the digital network of the future. The external partners have the opportunity to access the business areas' systems and process knowledge centrally via the group business platform. Every supplier, at the same time as employees in procurement, has the same view of the current supply situation regarding its parts. This is the basis for the global coordinated work for safeguarding supply in a dynamic network. This network is thus able to react to every external influence in every part of the world at the same time.

Procured component management and supplier management assure quality within the supply process

Procured component management, as the technical area of procurement, employs tool and process experts who safeguard new vehicle start-ups and aggregate projects worldwide in terms of both prevention and response. In addition, the experts safeguard series production. In line with the group-wide growth strategy, procured component management is focusing in particular on knowledge transfer at the start of global projects. Procured component management is globally networked. This means that synergy effects can be achieved in both production and process optimization at suppliers. In the "Quality in Growth" program, procurement focuses on safe-guarding start-ups and on managing the subcontractor structure.

The ever growing requirements placed on suppliers to be ready for the start of production will lead to a stronger focus in particular on the suppliers' industrialization processes as part of a continuous further development of the organization.



In order to safeguard the vehicle start-ups, further performance tests across all business areas are carried out at suppliers at various milestones of the product development process in addition to “two-days production”. As a result, risks for vehicle start-ups can be recognized even earlier in terms of production and quality and appropriate countermeasures can be initiated.

In some production plants, start-up experts are additionally employed to further strengthen the local project organization and implement projects even more efficiently.

Developing new procurement markets

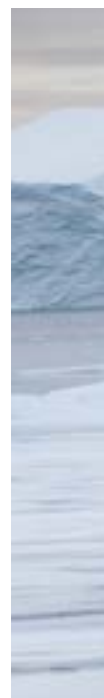
Procurement is organized globally and with its presence in 39 locations across 23 countries ensures that the production facilities are sustainably supplied with production materials in the required quality and quantity at competitive conditions. Access to relevant and inexpensive procurement markets is thus also guaranteed against a background of increasing globalization.

Establishing local supply streams is a core element of the Volkswagen Group’s growth strategy. Low logistics costs, purchase prices in line with the market, import duties levied and independence from fluctuating exchange rates all strengthen

competitiveness. At the same time, people in the regions benefit. Volkswagen creates skilled jobs and contributes to economic development by attracting supplier businesses to the area around its production locations.

In addition to established sources of supply, the number of qualified suppliers and also suppliers able to export in the growth regions is increasing. Experience working with local suppliers will be carried over into new projects via the regional procurement organization. What is more, specially focused and cross-business-area project teams work in the emerging and inexpensive procurement markets on gradually increasing the export share of qualified local suppliers. In this way, the size of the global supplier base is being expanded and the relevant cost advantages exploited.

Thanks to these approaches, procurement is able to marshal a reliable supplier base for new locations quickly and efficiently.



Production

In fiscal year 2015, the Volkswagen Group's global production volume passed the ten-million mark again. Productivity increased by 3.5% year-on-year despite the continuing difficult conditions in many markets.

Flexibility in production

The modular toolkits allow the Volkswagen Group to design its production sites to be flexible. They generate synergy effects that enable the Volkswagen Group to reduce capital expenditure and make better use of existing capacities. With these toolkits Volkswagen has created the conditions for using the production sites for several brands at the same time, and is implementing these systematically in terms of plant capacity utilization. For example, the ŠKODA Kvasiny location in the Czech Republic will also produce a vehicle for the SEAT brand starting in 2016. Of the 40 passenger car locations, 19 are now already multibrand locations.

Another concept for volume flexibility is the "turntable". This is used, among other things, to compensate for fluctuations in demand or in segment shifts. One such "turntable" is formed by

Volkswagen's sites in Emden (Passat), Zwickau (Passat and Golf) and Wolfsburg (Golf).

As the complexity of products increases, a factory must work at optimal capacity so as to continue manufacturing high-quality products that give customers maximum benefits at competitive prices. This is all made possible by the standardization of production processes and operating equipment at an early stage. The basis for this is consistent construction and design principles that are defined in the form of product standards. "Concept consistency" ensures that common design principles, joining techniques and joining sequences, but also installation and connection concepts, are applied in the brands' development and production areas. The principle of concept consistency is a fundamental component of the creation of efficient logistics and manufacturing processes.

Sales and marketing

The Volkswagen Group's unique product portfolio comprises twelve successful brands, including innovative financial services.



The Volkswagen Group's sales structure

The Volkswagen Group's multibrand structure helps promote the independence of its brands. Nevertheless, Volkswagen uses overarching sales activities to increase sales volumes and market share, and to increase sales efficiency while cutting costs and improving earnings contributions.

In the reporting period the Volkswagen Group focused particularly on dealer profitability: This was achieved firstly with cost-cutting programs and secondly by expanding the business volume for each dealer. As part of its distribution network strategy, which calls for Volkswagen to work with strong partners and leverage the potential of all business fields, but also in light of the difficult economic situation in some countries, Volkswagen has optimized the structure of the distribution network. The focus was on a close working relationship with dealers and their profitability. The Volkswagen Group uses group companies to manage its wholesale business in over 20 markets. A central department makes sales activities more transparent and more profitable. It creates synergies between the different brands and is key to the Volkswagen Group achieving the goals of its Strategy 2018. This makes it possible for the remaining wholesale companies to learn quickly and efficiently from the group-wide benchmarking process and from the best practices adopted by

individual companies. A focus for the reporting period was optimizing the Volkswagen Group's national sales companies' logistics costs.

Digitization in group sales

In sales too, the Volkswagen Group uses the opportunities that increasing digitization offers. Its actions are guided by a clearly defined strategy that allows extensive cooperation between the brands to create the greatest possible synergies.

Digitization will make a decisive contribution to creating a completely new product experience for the customers characterized by seamless integration of the customer across all points of interaction. In doing so, Volkswagen opens up new options and business models – mobility and other services – around the connected vehicle. It will increasingly become an integral component of the customer's digital world of experience. The Volkswagen Group takes care to make all processes transparent so that customers always retain control of their own data.

Moreover, the Volkswagen Group also gears its internal processes and structures to the speed of digital innovation. The result is new forms of cooperation, a more intensive relationship with the international start-up scene, a consolidation of



venture-capital expertise as a form of “development support” for innovative ideas and business models, and new lean systems and cloud-based IT solutions.

Customer satisfaction and customer loyalty

The Volkswagen Group’s sales activities focus consistently on turning its customers into even more satisfied customers – this is its top priority. With the aid of the digitization offensive in the group, Volkswagen is putting even more emphasis on customer requirements and service; this offensive will sustainably shape its business.

The group’s brands regularly ascertain customer satisfaction levels, focusing on products and services. They derive new measures from the survey results to achieve even greater customer satisfaction.

Measured in terms of customer satisfaction with their products, the Audi and Porsche brands are among the leaders in the core European markets in comparison to other group brands and their competitors. The other brands in the group also score higher than competing brands. All group brands achieve figures at or above the level of the competition in customer satisfaction with dealers.



Customers are loyal to the brands and trust them when the Volkswagen Group meets, or better still exceeds their expectations of the products and services. The Volkswagen passenger cars brand, for example, has maintained a high level of customer loyalty in its core European markets for several years in a row. The loyalty of Audi, Porsche and ŠKODA customers has likewise kept these brands in the upper rankings in comparison with competitors for a number of years.

As a consequence of the emissions issue, studies showed a slight drop in the Volkswagen passenger cars brand image and customer satisfaction with the products in the fourth quarter of 2015.

Quality assurance

The quality of the products and services plays a key role in maintaining customer satisfaction. Customers are particularly satisfied and remain loyal when their expectations of a product or service are met or even exceeded. Reliability, appeal and service determine quality as it is perceived by the customer throughout the entire product experience. The Volkswagen Group's objective is to positively surprise and excite its customers in all areas and thus win them over with its outstanding quality. The Volkswagen Group continued to aspire to this objective in 2015. At the same time, however, events in the reporting period showed that the Volkswagen Group has to expand its current understanding of quality: going forward, quality assurance will focus more intensively than before on the compliance of its products.

As a result of the emissions issue, Volkswagen will place even greater emphasis than in the past on the quality management system. A process-driven approach across all business areas will be reinforced throughout the group. Quality management in the Volkswagen Group is based on the standard ISO 9001: the requirements of this standard must be met to obtain the operating license and type-approval for producing and selling its vehicles. The standard was revised in the reporting period; one of the main substantive revisions made concerns risk assessments for non-compliant processes. To ensure that these and other revisions are uniformly implemented throughout the group, quality assurance developed a concept in 2015, setting out guidelines, recommendations and tips for the quality management consultants for the individual brands, and supported them in the process of implementation.



As a further step, Volkswagen has reinforced application of the dual control principle – mutual support and control between the divisions – and built up further core expertise in quality assurance. This includes setting up control mechanisms between technical development and quality assurance, and carrying out checks on the compliance of the products. A number of organizational measures were taken to establish a process of checks to be carried out by several individuals in the approval of powertrains.

Based on these and other measures, Volkswagen intends to ensure within the scope of quality assurance that all legal requirements imposed on us as a manufacturer and on the products are met.

Employees

As of 31 December 2015, the Volkswagen Group, including the Chinese joint ventures, employed 610,076 people, 3.0% more than at the end of fiscal year 2014. Significant factors for the increase in employees were the expansion of the workforce in the new plants in China, Poland and Mexico and the recruitment of specialists, particularly in Germany and China. In 2015, the Volkswagen Group took a

total of 3,698 temporary employees into its core workforce in Germany.

The ratio of group employees in Germany to those abroad remained unchanged in the past year. As of the 2015 reporting date, 45.7% were employed in Germany.

Alongside training for employees, development of graduates, the advancement of women and a family-friendly human resources policy, as well as preventive healthcare and occupational safety remained the focus of HR work in the fiscal year 2015.



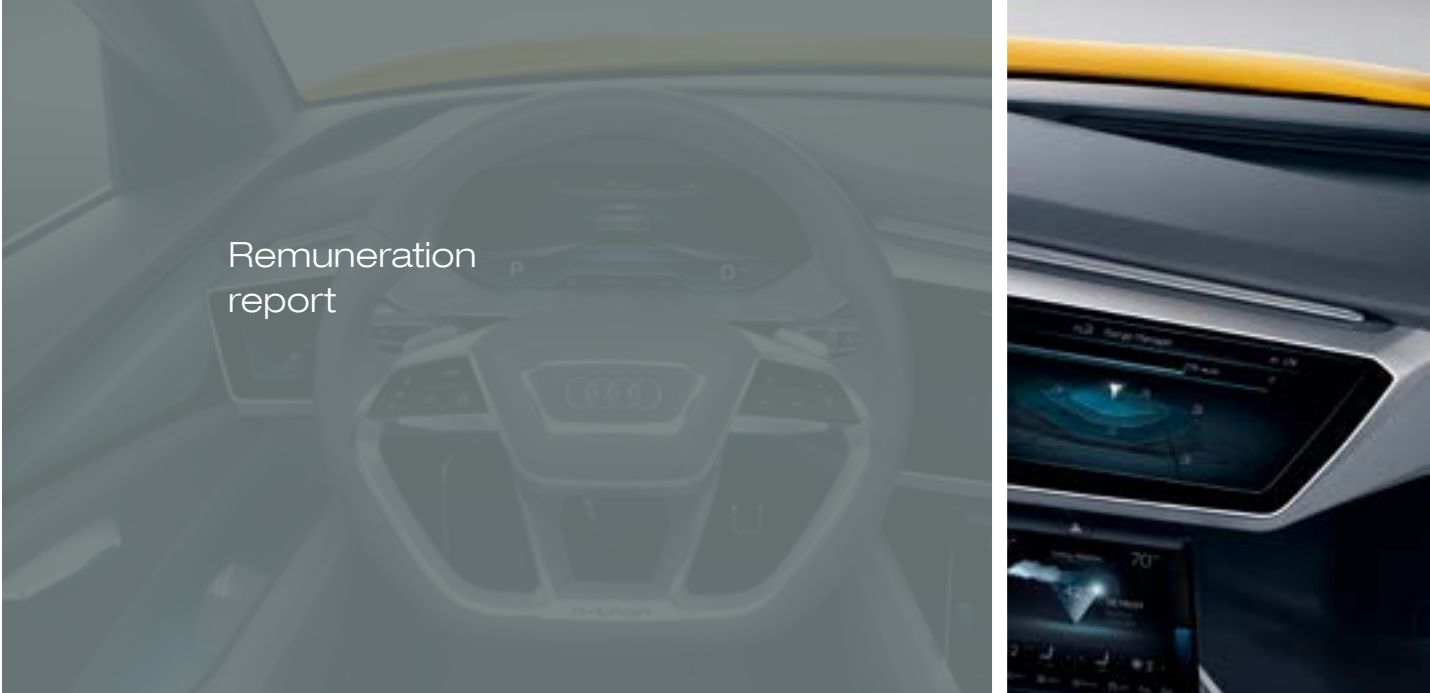
Overall statement on the economic situation of Porsche SE and the Porsche SE Group

Porsche SE is a financially strong holding company with attractive potential for increasing value added, with clear, sustainable structures and a solid outlook for the future.

In the past fiscal year 2015, the results of operations of Porsche SE and the Porsche SE Group were primarily characterized by the income from investments and profit contributions of the shares in Volkswagen AG accounted for at equity as well as by income relating to other periods from tax matters. The economic situation of the Volkswagen Group was significantly influenced by special effects from the diesel issue in the past fiscal year. Taking these effects into account, the forecast for the operating return on sales of the Volkswagen Group for the fiscal year 2015 was not met. As a result of these special effects, Porsche SE's profit targets were likewise not met – even taking into consideration positive special effects from tax matters.

The financial position was influenced to a large extent by dividends received and paid, the acquisition of Volkswagen ordinary shares, investment of cash and cash equivalents in time deposits and securities, as well as tax refunds. The forecast of net liquidity made for fiscal year 2015 was met, even taking into consideration the investment in Volkswagen ordinary shares.

Despite the decrease in the proportionate market capitalization and the effects of the diesel issue, Porsche SE expects the Volkswagen Group to maintain its market position in a persistently challenging environment. The executive board of Porsche SE remains committed to the company's role as Volkswagen AG's long-term anchor shareholder and is still convinced of the Volkswagen Group's potential for increasing value added.



Remuneration report

The remuneration report describes the main features of the remuneration system for members of the executive board and supervisory board of Porsche SE and explains the basic structure, composition and the individualized amounts of remuneration. In addition, the report includes disclosures on benefits granted or promised to active members of the executive board in the event of termination of their service.

Remuneration of the executive board

Remuneration principles at Porsche SE

At regular intervals the supervisory board addresses remuneration matters concerning the executive board, examining the structure and amount of remuneration of the executive board in the process.

Prof. Dr. Dr. h.c. mult. Martin Winterkorn, who was chairman of the executive board of Porsche SE until the end of the day on 31 October 2015, and Hans Dieter Pötsch (Chief Financial Officer and, since 1 November 2015, also chairman of the executive board) received or receive fixed basic remuneration, which is paid out as a monthly salary, for their work at the company.

Mr. Hans Dieter Pötsch left the board of management of Volkswagen AG on 7 October 2015 and was subsequently appointed a member of the supervisory board of Volkswagen AG by court appointment and elected as its chairman by the supervisory board of Volkswagen AG. His contract of employment with Volkswagen AG was annulled in the process. As a result, Mr. Pötsch does not receive variable remuneration calculated on a multi-year basis from Volkswagen AG either (we refer to the explanations of variable remuneration components in the Volkswagen Group in the section “Remuneration in accordance with the German Corporate Governance Code”). This means that since then the recommendation in Sec. 4.2.3 (2) Sentence 2 German Corporate Governance Code (GCGC), according to which the monetary elements of the remuneration of executive board members should comprise fixed and variable elements, has not been complied with as regards Mr. Pötsch. Porsche SE declares non-compliance with this recommendation in this respect.

In addition to a fixed basic component paid out in monthly amounts, the member of the executive board Matthias Müller received variable remuneration from the company up to and including the fiscal year 2014. For the period from the fiscal year 2015 onward, Mr. Müller no longer receives a variable component from Porsche SE; Mr. Müller



receives variable remuneration components for the fiscal year 2015 from Volkswagen AG and Dr. Ing. h.c. F. Porsche AG (“Porsche AG”; we refer to the explanations in the subsection “Remuneration in accordance with the German Corporate Governance Code”). Portions of his variable remuneration that fall due in the future, up to and including for the fiscal year 2014, will be settled in accordance with the contractual provisions that previously applied.

Philipp von Hagen receives variable remuneration in addition to a fixed basic component paid out in monthly amounts.

The amount of the variable remuneration is specified by the supervisory board at its discretion, taking into account the respective business and earnings situation, as well as the performance of the individual executive board member. Performance was measured specifically in terms of the extent to which the individual (in some cases, differently weighted) targets agreed with the member of the executive board for the respective fiscal year have been achieved.

The individual targets are based on the business area of the respective executive board function and refer to the parameters presented below for the term of the agreement.

The parameters specified for Mr. Müller were:

- Implementation of the concept for the investment strategy,
- Professional risk management and coordination in connection with legal and administrative proceedings and
- Cost management with regard to the administration of Porsche SE and its investments.

The parameters specified for Mr. von Hagen are:

- Creation of the organizational foundations for professional investment management,
- Further development and operationalization of the investment strategy,
- Positioning Porsche SE on the capital market as a powerful investment platform and
- Profit- and risk-based management of the investment portfolio.

For each fiscal year completed, the executive committee of the supervisory board of Porsche SE draws up a proposal for the individual amount of the variable remuneration, taking into account the respective business and earnings situation and based on the specific performance of the individual member of the executive board. This proposal is submitted to the supervisory board of Porsche SE for decision.

The amounts of variable remuneration paid were capped at an amount of €3,500,000 per annum for Mr. Müller and at €300,000 per annum for Mr. von Hagen.

The timing of payment of the variable remuneration depends on the achievement of short- and long-term targets. The short-term component, amounting to 40% of the variable remuneration, is paid out three months after the end of the fiscal year concerned, on the condition that the Porsche SE Group has reported a group profit before tax for the respective fiscal year. The remaining 60% of the variable remuneration is paid out depending on the development of the company over several years. A payment is made two years after the short-term variable component is due, but only if the Porsche SE Group has reported a group profit before tax for the respective fiscal year, and if the net liquidity of Porsche SE is positive as of 31 December of the last calendar year before payment falls due.

The supervisory board of Porsche SE explicitly reserves the option of also introducing a variable remuneration system for members of the executive board of the company who have not received performance-related remuneration.

Moreover, at its discretion, the supervisory board may grant all the members of the executive board of Porsche SE a special bonus for previously agreed targets or a subsequent bonus in recognition of outstanding performance. As the bonuses of this kind are not capped, Porsche SE has declared non-compliance with the recommendation in Sec. 4.2.3. (2) Sentence 6 GCGC in this respect. The supervisory board does not consider the inclusion of a cap to be necessary as it can ensure compliance with the requirement of appropriateness in Sec. 87 (1) AktG by exercising its discretion in specific cases.

All active members of the executive board of Porsche SE receive benefits in kind, in particular in

the form of the use of company cars. Porsche SE is responsible for any taxes incurred in connection with these benefits in kind. In addition, members of the executive board who also served as members of the Volkswagen AG board of management or who serve as members of the Volkswagen AG supervisory board are also reimbursed for any flight costs for flights between their place of residence and primary workplace. If the payment of flight costs results in a final personal tax burden for Mr. Pötsch, Porsche SE will bear the taxes incurred in this connection. In addition, an agreement was made with Mr. Pötsch in the reporting period that, until the final tax assessment of these payments of flight costs, Porsche SE would, if necessary, cover any personally payable income tax payments incurred after the reporting date by means of a loan. Any benefits in kind are included at their tax or actual values in the presentation of the non-performance-related remuneration of the members of the executive board.

The agreement concluded with Mr. Pötsch provides for continued payment of the fixed basic component for a period of twelve months in the event of illness. In the event of death, the fixed basic component will continue to be paid for six months following the month of death. The agreements concluded with Messrs. Müller and von Hagen provide for continued payment of the fixed and variable components for a period of twelve months in the event of illness and for a period of six months following the month of death in the event of death.

On 17 December 2015, Dr. Manfred Döss was appointed by Porsche SE's supervisory board to the executive board of Porsche SE, effective as of 1 January 2016. A final decision on the structure of his remuneration had not yet been made when this management report was prepared. Porsche SE has declared non-compliance with the recommendation in Sec. 4.2.3 (2) Sentence 2 GCGC, according to which the monetary elements of the remuneration of

the executive board member shall comprise fixed and variable elements, in this respect.

Remuneration of the executive board

Prof. Dr. Martin Winterkorn, as chairman of the executive board, and Hans Dieter Pötsch, Matthias Müller and Philipp von Hagen were members of Porsche SE's executive board during the entire fiscal year 2014. In the fiscal year 2015, Mr. Pötsch (from 1 November 2015 onward as chairman of the

executive board), Mr. Müller and Mr. von Hagen were members of the board throughout the fiscal year, while Prof. Dr. Winterkorn left with effect as of the end of the day on 31 October 2015.

The remuneration presented below for the individual members of Porsche SE's executive board comprises only the remuneration in accordance with the German Commercial Code (HGB) paid for their service on the executive board of Porsche SE.

Remuneration of the members of the executive board according to Secs. 285 No. 9a, 314 (1) No. 6a German Commercial Code (HGB)

2015	Non-performance-related components	Performance-related components	thereof	Total
			long-term incentive ¹	
in €				
Prof. Dr. Dr. h.c. mult. Martin Winterkorn (until 31/10/2015)	900,231	0	0	900,231
Philipp von Hagen	620,042	0	0	620,042
Matthias Müller	556,372	0	0	556,372
Hans Dieter Pötsch	743,007	0	0	743,007
Porsche SE Group	2,819,652	0	0	2,819,652

¹ In accordance with the legal requirements and the provisions of German Accounting Standard No. 17 regarding reporting on the remuneration of members of governing bodies, the long-term component amounting to 60% of the variable remuneration is only taken into account when all conditions precedent are met. We refer to the following statements.

2014	Non-performance-related components	Performance-related components	thereof long-term incentive ¹	Total
in €				
Prof. Dr. Dr. h.c. mult. Martin Winterkorn	864,498 ²	0	0	864,498 ²
Philipp von Hagen	603,380	250,000	150,000	853,380
Matthias Müller	528,557	3,500,000	2,100,000	4,028,557
Hans Dieter Pötsch	836,551 ²	0	0	836,551 ²
Porsche SE Group	2,832,986	3,750,000	2,250,000	6,582,986

¹ In accordance with the legal requirements and the provisions of German Accounting Standard No. 17 regarding reporting on the remuneration of members of governing bodies, the long-term component amounting to 60% of the variable remuneration is only taken into account when all conditions precedent are met. We refer to the following statements.

² Restated figures as a result of new findings in the measurement of benefits in kind.

When the consolidated financial statements and the group management report were authorized for issue, no recommendation by the executive committee regarding the variable remuneration components for Mr. von Hagen was available for 2015. For the fiscal year 2014, provision was made for a variable component totaling €250,000 for Mr. von Hagen. For Mr. Müller, provision was made for a variable component totaling €3,500,000 for the fiscal year 2014. 60% of this variable remuneration is subject to the conditions precedent described in the subsection on the remuneration principles and is therefore not included in the above table.

The performance-related components for the fiscal year 2015 do not contain any remuneration as, when the consolidated financial statements and group management report were authorized for issue, no recommendation by the executive committee for the variable remuneration components was available for the fiscal year 2015, and not all of the conditions set forth for paying out 60% of the variable remuneration for the fiscal year 2013 had been met for Mr. von Hagen and for Mr. Müller. The performance-related remuneration components with a long-term incentive for the fiscal

year 2014 contain the amounts of the long-term component of the variable remuneration paid for the fiscal year 2012, as all its conditions precedent were fulfilled for the first time as of the end of the fiscal year 2014.

Post-employment benefits in the event of regular or early termination of service

In the fiscal year 2015, Porsche SE paid Prof. Dr. Winterkorn compensation of €1,490,000 as a substitute for all income that he would have received if his agreement had continued beyond 31 October 2015, and as compensation for all disadvantages for him arising as a result of terminating his service.

With the exception of Mr. von Hagen, the members of Porsche SE's executive board do not have any pension benefits from the company. In addition to retirement benefits and surviving dependents' benefits, Mr. von Hagen's pension benefits include benefits in the event of permanent disability. Future benefits are calculated as a percentage of the agreed fixed annual remuneration at the time the benefits fall due. Starting at 25%,

this percentage increases by one percentage point for each full year of active service on the executive board of Porsche SE. The defined maximum is 40%. As of 31 December 2015, Mr. von Hagen has a retirement pension entitlement of 28% of his fixed annual remuneration. Immediate vesting was agreed.

The retirement pension is paid in monthly amounts upon reaching the age of 65 or earlier in the event of permanent disability. In the event of entitlement to a retirement pension before reaching the age of 65, the retirement pension is calculated using actuarial principles by annuitization of the pension provision permissible in accordance with tax law prior to the point in time the payment of the retirement pension falls due.

The surviving dependents' benefits comprise a widows' pension of 60% of the retirement pension and orphans' benefits of 20% of the retirement pension for each child, decreasing to 10% for each child if a widow's pension is paid. The total amount of widows' pensions and orphans' benefits may not exceed the amount of the retirement pension. Orphans' benefits are limited to a total of 80% of the retirement pension.

The service cost recognized in the fiscal year 2015 for Mr. von Hagen amounts to €337,298 according to IFRSs (prior year: €236,757), and to €264,059 according to HGB (prior year: €184,320). The present value of the pension obligations for Mr. von Hagen as of 31 December 2015 amounts to €1,182,745 according to IFRSs (31 December 2014: €984,081), and to €789,523 according to HGB (31 December 2014: €502,692).

Mr. Müller will continue to be entitled to a company car following the date of retirement. The service cost recognized in the fiscal year 2015 amounts to €182,463 according to IFRSs (prior year: €52,600), and to €248,436 according to HGB (prior year: €451,677). The present value of this

benefit in kind obligation as of 31 December 2015 amounts to €1,031,654 according to IFRSs (31 December 2014: €798,406), and to €882,220 according to HGB (31 December 2014: €606,318).

In the event of early termination of service on the executive board without due cause, a severance payment cap is provided for, according to which any severance payments, including benefits in kind, may not exceed a maximum of two years' compensation. Under no circumstances may the payments exceed the amount of remuneration due for the remaining term of the employment agreement. The severance payment cap is calculated on the basis of the total compensation for the past full fiscal year and, if appropriate, also the expected total compensation for the current fiscal year.

In the event of departure from the executive board prior to the date when payment falls due as a result of termination for due cause by Porsche SE, the entitlements to variable components that have not yet been paid out (in full or in part) expire. In the event of departure for other reasons prior to the date when payment falls due, the two executive board members retain their entitlement to payment of their performance-related remuneration. The date when payment falls due is not affected by early departure from the executive board of the company. In the case of Mr. Müller, however, the variable remuneration components still outstanding will be paid only if the Porsche SE Group has reported a group profit before tax for the respective fiscal year and if the net liquidity of Porsche SE is positive as of 31 December of the last calendar year before payment falls due.

Remuneration of former members of the executive board of Porsche SE

Except for the compensation for Prof. Dr. Winterkorn presented in the section "Post-employment benefits in the event of regular or

early termination of service”, former executive board members and their surviving dependents received no remuneration from Porsche SE in the fiscal year 2015 or in the fiscal year 2014.

Remuneration of the supervisory board

Principles

The remuneration of Porsche SE's supervisory board is governed by Art. 13 of the company's articles of association. It is composed of a fixed component and an attendance fee for the meetings of the supervisory board and the respective committees. In addition, the supervisory board members receive a performance-related component. This is calculated on the basis of the pre-tax result from ordinary activities from continuing operations recognized in the consolidated financial statements of Porsche SE. For each full €1 million by which this result at group level exceeds the amount of €300 million in the expired fiscal year, the members of the supervisory board receive an amount of €10. For each full €1 million by which this result at group level exceeds the average amount of €300 million during the three fiscal years preceding the expired fiscal year, the members of the supervisory board of Porsche SE receive a further €10. Supervisory board members who have been a member of the supervisory board or one of its committees for only part of a fiscal year receive the remuneration subject to a reduction pro rata temporis.

The chairman of the supervisory board and the chairman of the audit committee receive twice the amount of fixed remuneration and the variable remuneration, and the deputy chairman of the supervisory board and the members of the audit

committee receive one-and-a half times the amount of the fixed remuneration and the variable remuneration of a supervisory board member. If a member of the supervisory board holds several appointments at the same time, such member receives remuneration only for the appointment with the highest remuneration.

Remuneration of the supervisory board

His Excellency Sheikh Jassim bin Abdulaziz bin Jassim Al-Thani left the supervisory board effective as of the end of the day on 24 March 2015. His successor, Hans-Peter Porsche, was appointed by the Stuttgart Local Court on 25 March 2015. The court appointment was followed by his election by the annual general meeting on 13 May 2015. The composition of the members of Porsche SE's supervisory board did not change in the fiscal year 2014.

In accordance with Art. 13 of Porsche SE's articles of association, the supervisory board received remuneration totaling €1,416,745 (prior year: €1,612,245) for its service at Porsche SE in the fiscal year 2015. This amount includes non-performance-related components of €753,500 (prior year: €654,500) and performance-related components of €663,245 (prior year: €957,745).

Beyond this, the supervisory board members did not receive any other remuneration or benefits from Porsche SE in the fiscal year 2015 or in the fiscal year 2014 for any services they provided personally, such as consultancy and referral services.

The remuneration for the individual members of Porsche SE's supervisory board presented below comprises only the remuneration pursuant to HGB paid for their service on the supervisory board of Porsche SE.

Remuneration of the members of the executive board according to Secs. 285 No. 9a, 314 (1) No. 6a German Commercial Code (HGB)

2015 in €	Non-performance- related components	Performance- related components	Total
Dr. Wolfgang Porsche	95,000	85,580	180,580
Uwe Hück ¹	88,500	64,185	152,685
Berthold Huber ¹	46,000	42,790	88,790
Prof. Dr. Ulrich Lehner	83,000	85,580	168,580
Peter Mosch ¹	43,000	42,790	85,790
Bernd Osterloh ¹	76,500	64,185	140,685
Hon.-Prof. Dr. techn. h.c. Ferdinand K. Piëch	55,000	42,790	97,790
Dr. Hans Michel Piëch	64,000	42,790	106,790
Dr. Ferdinand Oliver Porsche	67,500	64,185	131,685
Hansjörg Schmierer ¹	46,000	42,790	88,790
His Excellency Sheikh Jassim bin Abdulaziz bin Jassim Al-Thani (until 24/3/2015)	5,685	9,730	15,415
Hans-Peter Porsche (since 25/3/2015)	37,315	33,060	70,375
Werner Weresch ¹	46,000	42,790	88,790
Total	753,500	663,245	1,416,745

¹ These employee representatives have declared that their supervisory board remuneration is transferred to the Hans-Böckler foundation in accordance with the regulations of the German Federation of Trade Unions (DGB).

2014 in €	Non-performance- related components	Performance- related components	Total
Dr. Wolfgang Porsche	86,000	123,580	209,580
Uwe Hück ¹	85,500	92,685	178,185
Berthold Huber ¹	34,000	61,790	95,790
Prof. Dr. Ulrich Lehner	74,000	123,580	197,580
Peter Mosch ¹	34,000	61,790	95,790
Bernd Osterloh ¹	85,500	92,685	178,185
Hon.-Prof. Dr. techn. h.c. Ferdinand K. Piëch	46,000	61,790	107,790
Dr. Hans Michel Piëch	49,000	61,790	110,790
Dr. Ferdinand Oliver Porsche	61,500	92,685	154,185
Hansjörg Schmierer ¹	37,000	61,790	98,790
His Excellency Sheikh Jassim bin Abdulaziz bin Jassim Al-Thani	25,000	61,790	86,790
Werner Weresch ¹	37,000	61,790	98,790
Total	654,500	957,745	1,612,245

¹ These employee representatives have declared that their supervisory board remuneration is transferred to the Hans-Böckler foundation in accordance with the regulations of the German Federation of Trade Unions (DGB).

Remuneration in accordance with the German Corporate Governance Code

Remuneration of the executive board

General principles

In the fiscal year 2015, Volkswagen AG and therefore also its group companies such as Porsche Holding Stuttgart GmbH, Stuttgart, and Porsche AG remained subsidiaries of Porsche SE as defined by Sec. 18 AktG due to the existing majority of voting rights.

Therefore, the total remuneration for Porsche SE's executive board members that is required to be published according to the German Corporate Governance Code (GCGC) also includes any remuneration that these members of the executive board received during the period of their membership of the executive board of Porsche SE due to their assuming functions as members of boards at group companies of the Volkswagen Group. Irrespective of this, however, the group companies of the Volkswagen Group and their subsidiaries are not group companies of Porsche SE within the meaning of IFRSs.

Prof. Dr. Winterkorn was also chairman of the board of management of Volkswagen AG; he laid down this office on 25 September 2015. In addition, he was a member of various bodies in the Volkswagen Group.

Until his move to the supervisory board of Volkswagen AG, Mr. Pötsch was also CFO of Volkswagen AG. On 7 October 2015, he was appointed a member of the supervisory board of Volkswagen AG by court appointment and elected as chairman of the supervisory board by the supervisory board with immediate effect. In addition, he performs various functions in bodies within the Volkswagen Group.

Mr. Müller was appointed a member of the group board of management of Volkswagen AG by the supervisory board of Volkswagen AG with effect as of 1 March 2015; and on 25 September 2015, the supervisory board appointed him CEO of Volkswagen AG with immediate effect. In addition, Mr. Müller was a member of the management of Porsche Holding Stuttgart GmbH until 16 October 2015 and chairman of the executive board of Porsche AG until 30 September 2015. Moreover, he is a member of various other bodies of group companies of the Volkswagen Group.

For Mr. Müller, therefore, the total remuneration of the members of Porsche SE's executive board for the respective fiscal years presented below includes remuneration for serving on the board of management of Volkswagen AG and on the executive board of Porsche AG in addition to the remuneration for his appointment on the executive board of the company and for his other appointments in the Volkswagen Group.

In addition to the remuneration received from Porsche SE in the fiscal year, total remuneration for Prof. Dr. Winterkorn and Mr. Pötsch includes remuneration for serving on the board of management and supervisory board of Volkswagen AG, as well as their other appointments in the Volkswagen Group.

Remuneration principles at Volkswagen AG

The level of board of management remuneration should be appropriate and attractive in the context of the company's national and international peer group. Criteria include the tasks of the individual board of management member, their personal performance, the economic situation, the performance of and outlook for the company, as well as how customary the remuneration is when measured against its peer group and the remuneration structure that applies to other areas in the Volkswagen Group. In this context,

comparative studies on remuneration are conducted on a regular basis.

The remuneration principles of Volkswagen AG presented below pertain exclusively to the agreements made with Prof. Dr. Winterkorn and Mr. Pötsch until their respective departures, as well as to the agreements made with Mr. Müller in connection with his appointment to the board of management of Volkswagen AG and his appointment as CEO.

The remuneration received by them for their service in the Volkswagen Group comprises non-performance-related and performance-related components. The non-performance-related components of the package ensure firstly a basic level of remuneration enabling the individual members of the board of management to perform their duties in the interests of the company and to fulfill their obligation to act with proper business prudence without needing to focus on merely short-term performance targets. On the other hand, performance-related components, dependent among other criteria on the financial performance of the Volkswagen Group, serve to ensure the long-term impact of behavioral incentives. Upper limits are in place for both the overall remuneration and the performance-related remuneration components.

The fixed/non-performance-related remuneration comprises fixed remuneration and fringe benefits. In addition to the basic level of remuneration, the fixed remuneration also includes differing levels of remuneration for appointments assumed at group companies. The fringe benefits result from the grant of non-cash benefits and include in particular the use of operating assets such as company cars and the payment of insurance premiums. Taxes due on these non-cash benefits were mainly borne by Volkswagen AG. The basic level of remuneration is reviewed regularly and adjusted if necessary.

The variable/performance-related remuneration comprises a business performance bonus, which relates to business performance in the reporting period and in the preceding year, and, since 2010, a long-term incentive (LTI) plan, which is based on the reporting period and the previous three fiscal years. Both components of variable remuneration are therefore calculated on a multi-year basis and reflect both positive and negative developments. Members of the board of management can also be awarded bonuses that reflect their individual performance.

The supervisory board may cap the total of variable remuneration components in the event of extraordinary developments.

The bonus rewards the positive business development of the Volkswagen Group and comprises the components business performance bonus and individual performance bonus. The business performance bonus is calculated on the basis of the average operating profit, including the proportionate operating profit in China, over a period of two years. A calculation floor below which no bonus will be paid is in place. This floor was set at €5.0 billion. In addition, a cap for extraordinary developments is explicitly provided for by limiting the maximum theoretical bonus which, subject to the individual performance-related bonus, is or was at €6.75 million for Mr. Müller and for Prof. Dr. Winterkorn respectively for the period during which they performed the function of chairman of the board of management and is or was at €2.5 million for Mr. Müller and Mr. Pötsch respectively for the period during which they performed the function of a member of the board of management. The system and the cap are regularly reviewed by the supervisory board to establish whether any adjustments are necessary.

Accordingly, the method resolved by the supervisory board in 2013 for calculating the business performance bonus for members of the



board of management was changed for fiscal year 2015 and led to the operating result, including the proportionate operating result in China, for fiscal year 2015 that was used to calculate the business performance bonus for fiscal year 2015 being reduced to €0.

In addition, the supervisory board of Volkswagen AG may increase the theoretical bonus, which is calculated on the basis of average operating profit of the Volkswagen Group, by up to 50% by applying individual adjustment factors that are not linked to the theoretical cap so as to reward members of the board of management for extraordinary individual performance (individual performance bonus). This may take into account extraordinary performance in the area of integration, or the successful implementation of special projects, for example.

The amount of the LTI depends on the achievement of the targets laid down in the Strategy 2018. The target areas are:

- Leader in customer satisfaction, measured using the Customer Satisfaction Index
- Leading employer, measured using the Employee Index
- Unit sales growth, measured using the Growth Index, and
- Increase in the return on sales, measured using the Return Index.

The Customer Satisfaction Index is calculated using indicators that quantify the overall satisfaction of customers with the delivering dealers, new vehicles and the service operations based on the previous workshop visit. The Employee Index is determined using the “employment” and “productivity” indicators as well as the participation rate and results of employee surveys. The Growth Index is calculated using the “deliveries to customers” and “market share” indicators. The

Return Index is derived from the return on sales and the dividend per ordinary share.

The indices on customer satisfaction, employees and unit sales are aggregated and the result is multiplied by the Return Index. This method ensures that the LTI is only paid out if the Volkswagen Group is also financially successful. If the 1.5% threshold for the return on sales is not exceeded, the Return Index is zero. This would mean that the overall index for the fiscal year concerned is also zero.

The maximum LTI amount was capped at €4.5 million for Mr. Müller and for Prof. Dr. Winterkorn respectively for the period during which they performed the function of chairman of the board of management and at €2.0 million for Mr. Müller and Mr. Pötsch respectively for the period during which they performed the function of a member of the board of management and is based on the four-year average of the overall indices, i.e., the reporting period and the three preceding fiscal years.

An agreement was reached with Mr. Winterkorn to defer payment of 30% of his variable remuneration for fiscal year 2015 to 31 December 2016.

In a statement dated 22 April 2016, Mr. Pötsch waived a portion of his variable remuneration for fiscal year 2015 in the amount of €2.3 million.

Prof. Dr. Winterkorn and Mr. Pötsch were entitled to payment of their normal remuneration from Volkswagen AG for twelve months in the event of illness. Mr. Müller was granted continued payment for six months.

Withholding of variable remuneration for 2015

At its meeting on 22 April 2016, Volkswagen AG's supervisory board accepted the offer made by Mr. Müller to withhold 30% of the variable remuneration described above for fiscal year 2015 for the board of management members active on the date of the resolution and to make its disposal subject to future share price performance.

This will be effected by first converting the amount withheld based on the average share price for the 30 trading days preceding 22 April 2016 (initial reference price) into virtual preference shares of Volkswagen AG with a three-year holding period and, at the same time, defining a target reference price corresponding to 125% of the initial reference price. During the holding period, the virtual preference shares will be entitled to a dividend equivalent in the amount of the dividends paid on real preference shares.

Following the expiry of the holding period, the average share price for the 30 trading days preceding the last day of the holding period, i.e. 22 April 2019, will be determined (closing reference price). The difference between the target reference price and the initial reference price will be deducted from the closing reference price and the dividends distributed on one real Volkswagen preference share during the holding period (dividend equivalent) will be added to the closing reference price. This ensures that – excluding any dividend equivalents accrued – the amount withheld is only paid out in full if the initial reference price of the preference share has increased by at least 25%. Otherwise, the amount is reduced accordingly down to €0. The amount thus calculated will be disbursed to Mr. Müller. The amount disbursed must not be more than twice the amount originally withheld. Where Mr. Müller retires from office before the expiry of the holding period, the disbursement amount will be calculated and paid out proportionately based on the date of termination of employment.

Remuneration principles at Porsche AG

The remuneration principles of Porsche AG presented below pertain exclusively to agreements made with Mr. Müller.

Mr. Müller received only a fixed annual salary and a fixed annual management bonus at Porsche AG for the fiscal year 2014; he did not receive variable remuneration from Porsche AG in that fiscal year.

A new employment agreement was concluded with Mr. Müller in December 2014. This provided for a fixed annual salary and a fixed annual management bonus. In addition, Mr. Müller was to receive variable remuneration components comprising a personal performance bonus, a company bonus and a long-term incentive bonus. The supervisory board of Porsche AG decides on the amount of these components on the basis of the Volkswagen Group's current bonus system. The specification of the individual components is based on the specified 100% level at equitable discretion, taking into account personal performance and achievement of targets, the financial performance and economic situation of Porsche AG as well as the achievement of the strategic targets of the Volkswagen Group. All components were generally limited to 200%; in the event of extraordinary developments, the supervisory board can impose a cap. For Mr. Müller, the 100% level was specified at €750,000 per component.

Up to and including the fiscal year 2015, at its discretion, the supervisory board of Porsche AG could grant Mr. Müller a subsequent bonus in recognition of extraordinary performance.

In addition to this, Mr. Müller received benefits in kind, in particular the use of company cars and leased vehicles as well as provision of insurance cover. Moreover, it was agreed in principle to pay the costs for security services and preventive healthcare.

Taxes arising in connection with the benefits in kind were generally borne by Porsche AG.

Mr. Müller has also concluded a direct insurance policy. The annual premium of €1,742 was paid by Porsche AG.

Porsche AG would have continued to pay Mr. Müller's fixed component for a period of twelve months in the event of illness. In the event of death, the remuneration agreed with Mr. Müller would continue to be paid for six months following the month of death; this also applies to the component of the variable remuneration to which Mr. Müller would have had a claim at the time of death.

Prior to his appointment to the board of management of Volkswagen AG and as the chairman of the board of management of Volkswagen AG, Mr. Müller's remuneration for his service on the Porsche AG executive board in the fiscal year 2015 comprised a fixed annual salary and a fixed annual management bonus totaling €1,300,000 (prior year: €1,800,000). In addition, he received a bonus from Porsche AG in the fiscal year 2015 in recognition of extraordinary performance for the fiscal year 2014 amounting to €200,000 (prior year: €150,000).

As a result of his appointment as a member of the board of management and chairman of the board of management of Volkswagen AG, the following provision was made regarding his remuneration at Porsche AG:

- Mr. Müller received fixed remuneration from Porsche AG for the fiscal year 2015 pro rata until his appointment to the group board of management of Volkswagen AG with effect as of 1 March 2015. From this time onward, he received his fixed remuneration based on the provisions of his agreement with Volkswagen AG.

- The pro-rata variable remuneration of Porsche AG to which he was entitled until his departure from the executive board of Porsche AG on 30 September 2015 was included in the measurement of the variable remuneration for his service on the board of management of Volkswagen AG.

Remuneration of the executive board in the fiscal years 2014 and 2015

The table below presents the remuneration of the members of the executive board of Porsche SE for their service at Porsche SE and group companies in accordance with Sec. 18 AktG. The total remuneration of the members of Porsche SE's executive board presented in the table below therefore includes not only remuneration for their service as a member of the company's executive board, but for Mr. Müller additionally remuneration for his service on the board of management Volkswagen AG and on the executive board of Porsche AG as well as for other appointments in the Volkswagen Group for the fiscal years 2014 and 2015, and for Prof. Dr. Winterkorn and Mr. Pötsch additionally remuneration for their service on the board of management and supervisory board of Volkswagen AG respectively and for their other appointments in the Volkswagen Group in the fiscal years 2014 and 2015. This does not include components granted to Prof. Dr. Winterkorn and Mr. Pötsch in connection with their departure from the board of management of Volkswagen AG (we refer to the explanations in the section "Post-employment benefits in the event of regular or early termination of service").

Remuneration of the members of the executive board in accordance with the German Corporate Governance Code for the fiscal years 2014 and 2015 – benefits granted

The table below presents the benefits granted in the respective reporting period pursuant to Sec. 4.2.5, 1st bullet point GCGC:

	Winterkorn Chairman of the executive board 25/11/2009-31/10/2015				Pötsch Chairman of the executive board (since 1/11/2015) Chief Financial Officer (since 25/11/2009)			
	2014	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)
Benefits granted								
Fixed compensation	2,367,025	2,041,810	2,041,810	2,041,810	1,578,017	1,325,933	1,325,933	1,325,933
Fringe benefits	414,951 ¹	303,762	303,762	303,762	551,402 ¹	370,563	370,563	370,563
Total	2,781,976¹	2,345,572	2,345,572	2,345,572	2,129,419¹	1,696,496	1,696,496	1,696,496
One-year variable compensation	3,001,000	2,317,278	0	2,484,375	1,116,500	899,481	0	961,806
Multi-year variable compensation	10,097,000	7,947,056	0	8,281,250	4,053,000	3,337,850	0	3,462,500
Special compensation VW (two-year period)	6,002,000	4,634,556	0	4,968,750	2,233,000	1,798,961	0	1,923,611
LTI VW (four-year period)	4,095,000	3,312,500	0	3,312,500	1,820,000	1,538,889	0	1,538,889
Total	15,879,976¹	12,609,906	2,345,572	13,111,197	7,298,919¹	5,933,827	1,696,496	6,120,802
Service cost	0	0	0	0	0	0	0	0
Total	15,879,976¹	12,609,906	2,345,572	13,111,197	7,298,919¹	5,933,827	1,696,496	6,120,802

¹ Restated figures as a result of new findings in the measurement of benefits in kind

	Müller Strategy and corporate development since 13/10/2010				von Hagen Investment management since 1/3/2012			
	2014	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)
Benefits granted								
Fixed compensation	2,320,000	1,740,801	1,740,801	1,740,801	540,000	540,000	540,000	540,000
Fringe benefits	98,690	145,846	145,846	145,846	63,380	80,042	80,042	80,042
Total	2,418,690	1,886,647	1,886,647	1,886,647	603,380	620,042	620,042	620,042
One-year variable compensation	1,500,000	1,551,615	0	2,008,333	120,000	120,000	0	120,000
Multi-year variable compensation	2,100,000	5,587,133	0	6,050,000	180,000	180,000	0	180,000
LTI Porsche SE (three-year period)	2,100,000	0	0	0	180,000	180,000	0	180,000
Personal performance bonus Porsche AG (two-year period)	-	125,000	0	250,000	-	-	-	-
LTI Porsche AG (four-year period)	-	125,000	0	250,000	-	-	-	-
Special compensation VW (two-year period)	0	3,003,800	0	3,216,667	0	0	0	0
LTI VW (four-year period)	0	2,333,333	0	2,333,333	0	0	0	0
Total	6,018,690	9,025,395	1,886,647	9,944,980	903,380	920,042	620,042	920,042
Service cost	341,760	537,368	537,368	537,368	236,757	337,298	337,298	337,298
Total	6,360,450	9,562,763	2,424,015	10,482,348	1,140,137	1,257,340	957,340	1,257,340

Remuneration of the members of the executive board in accordance with the German Corporate Governance Code for the fiscal years 2014 and 2015 – allocation

The table below presents the allocation in or for the fiscal years 2014 and 2015 respectively pursuant to Sec. 4.2.5, 2nd bullet point GCGC. In contrast to the figures presented in the benefits granted for variable remuneration, the table below contains the actual value of the variable remuneration allocated in the respective fiscal year.

	Winterkorn Chairman of the executive board 25/11/2009-31/10/2015		Pötsch Chairman of the executive board (since 1/11/2015) Chief Financial Officer (since 25/11/2009)		Müller Strategy and corporate development since 13/10/2010		von Hagen Investment management since 1/3/2012	
	2014	2015	2014	2015	2014	2015	2014	2015
Allocation								
Fixed compensation	2,367,025	2,041,810	1,578,017	1,325,933	2,320,000	1,740,801	540,000	540,000
Fringe benefits	414,951 ¹	303,762	551,402 ¹	370,563	98,690	145,846	63,380	80,042
Total	2,781,976¹	2,345,572	2,129,419¹	1,696,496	2,418,690	1,886,647	603,380	620,042
One-year variable compensation	3,148,000	966,661	1,169,000	415,068	1,550,000	1,079,440	100,000	0
Multi-year variable compensation	10,796,000	4,901,028	4,338,000	1,540,262	2,100,000	2,538,938	150,000	0
LTI PSE (three-year period)	-	-	-	-	2,100,000	0	150,000	0
Personal performance bonus Porsche AG (two-year period)	-	-	-	-	-	213,750	-	-
LTI Porsche AG (four-year period)	-	-	-	-	-	187,500	-	-
Special compensation VW (two-year period)	6,296,000	2,416,653	2,338,000	830,137	-	387,688	-	-
LTI VW (four-year period)	4,500,000	2,484,375	2,000,000	710,125	-	1,750,000	-	-
Total	16,725,976¹	8,213,261	7,636,419¹	3,651,826	6,068,690	5,505,025	853,380	620,042
Service cost	0	0	0	0	341,760	537,368	236,757	337,298
Total	16,725,976¹	8,213,261	7,636,419¹	3,651,826	6,410,450	6,042,393	1,090,137	957,340

¹ Restated figures as a result of new findings in the measurement of benefits in kind

Post-employment benefits in the event of regular or early termination of service

For Prof. Dr. Winterkorn, non-performance-related remuneration of €2,588,241 and performance-related remuneration of €6,691,011 was recognized in the fiscal year 2015 for the period from 26 September 2015 to 31 December 2016 in connection with his departure from the board of management of Volkswagen AG on 25 September 2015.

As a result of his departure from the board of management of Volkswagen AG, Mr. Pötsch received non-performance-related remuneration of €3,015,800 and performance-related remuneration of €12,283,669 for the period from 8 October 2015 to 31 December 2017. The remuneration was granted net of supervisory board remuneration in the period up to 31 December 2017.

In the event of regular termination of their service on the board of management of the Volkswagen Group, Messrs. Müller, Prof. Dr. Winterkorn and Pötsch are entitled to a pension, including a surviving dependents' pension as well as the use of company cars for the period in which they receive their pension. The agreed benefits are paid or made available on reaching the age of 63. The retirement pension is calculated as a percentage of the fixed basic salary. Starting at 50%, the individual percentage increases by two percentage points for each year of service. The supervisory board of Volkswagen AG has defined a maximum of 70%. These benefits are not broken down any further into performance-related components and long-term incentive components. Both Prof. Dr. Winterkorn and Mr. Pötsch had a retirement pension entitlement of 70% when they left the board of management of Volkswagen AG. Mr. Müller had a retirement pension entitlement of 50% of the basic level of remuneration as of the end of 2015; this increases by three percentage points every year. Current pensions for Mr. Müller, Prof. Dr. Winterkorn and Mr. Pötsch are index-linked

using the same method as for the highest collectively agreed salary, insofar as the application of Sec. 16 German Company Pension Act (BetrAVG) does not lead to a larger increase.

In the event of disability, they are entitled to the retirement pension. Surviving dependents receive a widows' pension of 66 2/3% and orphans' benefits of 20% of the former member of the board of management's pension. The retirement pension to be granted to Prof. Dr. Winterkorn and Pötsch after leaving Volkswagen AG is payable immediately if their membership of the board of management is not prolonged by Volkswagen AG, and in other cases on reaching the age of 63. Any remuneration received from other sources until the age of 63 is deductible from the benefit entitlement up to a certain fixed amount.

For Mr. Müller, the retirement pension payable following his departure from the company is paid on his reaching the age of 63.

In the event of early termination of their service on the board of management, the members of the board of management Mr. Müller, Prof. Dr. Winterkorn and Mr. Pötsch are or were also entitled to a pension, including a surviving dependents' pension as well as the use of company cars for the period in which they receive their pension.

Mr. Müller, Prof. Dr. Winterkorn and Mr. Pötsch are also subject to the following rule for members of the board of management of Volkswagen AG: if membership of the board of management is terminated for cause through no fault of the board of management member, the claims under board of management contracts entered into since 20 November 2009 are limited to a maximum of two years' remuneration, in accordance with the recommendation in Sec. 4.2.3 (4) GCGC (severance payment cap). For board of management members who are commencing their third or later term of

office, existing rights under contracts entered into before 20 November 2009 are grandfathered.

No severance payment is made if membership of the board of management is terminated for a reason for which the board of management member is responsible.

Remuneration of the supervisory board

The remuneration of the members of Porsche SE's supervisory board presented below includes not only remuneration for their service on the company's supervisory board but additionally

remuneration for their membership on the supervisory boards and other control bodies within the meaning of Sec. 125 (1) Sentence 5 AktG of the Volkswagen Group. The remuneration paid is based on the respective articles of association of the companies and in each case is composed of a fixed component and remuneration based on the amount of the respective dividends paid.

Beyond this, the supervisory board members of Porsche SE did not receive any other remuneration or benefits from Porsche SE or from the Volkswagen Group in the fiscal years 2014 and 2015 for any services they provided personally, such as consultancy and referral services.

Remuneration of the members of the supervisory board in accordance with the German Corporate Governance Code for the fiscal year 2015¹

2015 in €	Non-performance- related components	Performance- related components	Total
Dr. Wolfgang Porsche	204,200	85,580	289,780
Uwe Hück ²	164,000	64,185	228,185
Berthold Huber ²	83,133	42,790	125,923
Prof. Dr. Ulrich Lehner	83,000	85,580	168,580
Peter Mosch ²	76,000	42,790	118,790
Bernd Osterloh ²	93,500	64,185	157,685
Hon.-Prof. Dr. techn. h.c. Ferdinand K. Piëch	99,801	59,002	158,803
Dr. Hans Michel Piëch	147,500	42,790	190,290
Dr. Ferdinand Oliver Porsche	133,000	64,185	197,185
Hansjörg Schmierer ²	101,000	42,790	143,790
His Excellency Sheikh Jassim bin Abdulaziz bin Jassim Al-Thani (until 24/3/2015)	5,685	9,730	15,415
Hans-Peter Porsche (since 25/3/2015)	65,630	33,060	98,690
Werner Weresch ²	101,000	42,790	143,790
Total	1,357,449	679,457	2,036,906

¹ The figures in the table above take into account the remuneration received in the Porsche Holding Stuttgart GmbH Group and in the Volkswagen Group that are not group companies of Porsche SE as defined by IFRSs.


² These employee representatives have declared that their supervisory board remuneration is transferred to the Hans-Böckler foundation in accordance with the regulations of the German Federation of Trade Unions (DGB).

Remuneration of the members of the supervisory board in accordance with the German Corporate Governance Code for the fiscal year 2014¹

2014 in €	Non-performance- related components	Performance- related components	Total
Dr. Wolfgang Porsche	236,000	766,830	1,002,830
Uwe Hück ²	184,500	92,685	277,185
Berthold Huber ²	72,000	960,790	1,032,790
Prof. Dr. Ulrich Lehner	74,000	123,580	197,580
Peter Mosch ²	64,500	736,040	800,540
Bernd Osterloh ²	100,500	673,935	774,435
Hon.-Prof. Dr. techn. h.c. Ferdinand K. Piëch	217,500	1,365,590	1,583,090
Dr. Hans Michel Piëch	146,000	511,290	657,290
Dr. Ferdinand Oliver Porsche	157,000	960,685	1,117,685
Hansjörg Schmierer ²	111,000	61,790	172,790
Seine Exzellenz Scheich Jassim bin Abdulaziz bin Jassim Al-Thani	25,000	61,790	86,790
Werner Weresch ²	111,000	61,790	172,790
Total	1,499,000	6,376,795	7,875,795

¹ The figures in the table above take into account the remuneration received in the Porsche Holding Stuttgart GmbH Group and in the Volkswagen Group that are not group companies of Porsche SE as defined by IFRSs.

² These employee representatives have declared that their supervisory board remuneration is transferred to the Hans-Böckler foundation in accordance with the regulations of the German Federation of Trade Unions (DGB).



Opportunities and risks of future development

Report on opportunities and risks at Porsche SE

Group-wide risk management system

Overview of the risk management system

The risk management system of the Porsche SE Group was set up to identify at an early stage any potential risks to the ability of the group to continue as a going concern as well as any risks that could have a significant and long-term negative impact on the results of operations, financial position and net assets of the group and to avoid these by means of suitable countermeasures that allow the group to avoid any risks to its ability to continue as a going concern.

In principle, Porsche SE distinguishes between two types of risk: The first type of risk comprises risks from business activities which are entered into as part of a (conscious) entrepreneurial decision ("entrepreneurial risks"). The second type of risk comprises risks resulting from the lack of a definition or insufficient compliance with processes ("organizational risks").

In its risk management system, Porsche SE focuses on potential negative effects of risks.

However, on occasion potential opportunities are also analyzed and presented. There are no material risks which the Porsche SE Group does not in principle identify in its risk management system.

Overall, the design of the risk management system guarantees that the management of Porsche SE is always informed of significant risk drivers and able to assess the potential impact of the identified risks so as to take suitable countermeasures at an early stage.

Porsche SE's risk management system is updated on an ongoing basis and adapted to the company's requirements.

The audit of Porsche SE's consolidated financial statements includes the review of the implementation and general effectiveness of the early warning system for the detection of risk.

Structure of the risk management system

The Porsche SE Group's risk management system is subdivided into three lines of defense: "operational risk management", "strategic risk management" and "review-based risk management".





As the first line of defense, “operational risk management” comprises analysis, management and monitoring of risks at operational level. Each individual department within Porsche SE is responsible for independently identifying, evaluating, managing, reviewing and documenting risks in its area and reporting significant risks to the finance department. In particular, this means that measures for managing risks are derived and implemented immediately at this level in all operational areas of the company, with the aim of preventing these risks from spreading to other areas or even to the company as a whole. With regard to the organizational risks, operational risk management is performed using the internal control system, which is described in the “Internal control system” section. In addition to operational management of the specific individual risk areas at department level, the finance department also creates a complete view of the significant risks in order to take into consideration the overall risk exposure of the group and identify interactions between risk areas.

The second line of defense, “strategic risk management”, is responsible for the conceptual design and control of the proper implementation of the entire risk management system. In addition to creating a risk map, this includes deriving generic risk strategies, defining a general process structure

for operational management of risks and allocating risk areas to their respective risk owners, in particular also control of the operation, effectiveness and documentation of operational and strategic risk management by the executive board and the supervisory board of Porsche SE.

The third line of defense, “review-based risk management”, ensures the appropriateness of the risk management system and therefore in particular that the operational and strategic management are in line with externally and internally defined standards. Review-based risk management is the responsibility of the internal audit, which, as an objective instance, reviews on the basis of samples whether operational risk management is firmly embedded in all areas and regularly performed. Furthermore, the strategic level is reviewed to determine whether there is a structured systems approach and whether the respective controls and reviews are performed in strategic risk management.



Risk management at the level of Volkswagen AG

The risks arising from the investment in Volkswagen AG are addressed at the level of operational risk management and continuously monitored by Porsche SE. As a result of the investment structure, the risks affect Porsche SE in the form of valuation, consolidation, dividend and liability risks. In addition, there continue to be risks from the basic agreement to create an integrated automotive group between Porsche and Volkswagen (“basic agreement”) and the related corporate restructuring. Management of the risks at Volkswagen is located at the level of Volkswagen AG (we refer to the subsection “Report on opportunities and risks of the Volkswagen Group”). The task of Volkswagen AG’s risk management is to identify, manage and monitor existing risks at the level of the Volkswagen Group. Volkswagen AG has defined its own risk management system and is responsible for handling its own risks. At the same time, however, Volkswagen AG is required to ensure that Porsche SE as the holding company – within the scope of the legally permissible exchange of information – is informed at an early stage of any risks potentially jeopardizing the investment’s ability to continue as a going concern. This information is provided, inter alia, in management talks and by forwarding risk reports.

Internal control system

The aim of Porsche SE’s internal control system is to manage the organizational risks as part of operational risk management. The organizational risks can be classified in the risk areas “business operations”, “accounting/financial reporting” and “compliance”.

The internal control system generally prescribes the same measures for each of the three risk areas mentioned. On the basis of a comprehensive process map, the respective process owner derives the individual process steps, responsibilities and interfaces for the key processes, and a suitable structure is derived for the company as a whole. Controls are defined for processes and interfaces of particular relevance, compliance with which is generally monitored using the dual control principle. These measures are documented in process overviews, guidelines and checklists.

As regards the risk area “accounting/financial reporting”, the aim of the internal control system is to ensure recording, preparation and assessment of business matters in accounting and financial reporting that is accurate and in compliance with the law. To this end, processes, guidelines and comprehensive controls have been established that ensure complete, correct and timely transmission of



the information required for the preparation of the financial statements of Porsche SE and the Porsche SE Group, as well as the combined management report for the group and Porsche SE. For more details, please refer to the explanations in the section, “Internal control system relevant for the financial reporting process”.

With regard to the risk area “compliance”, Porsche SE has established a compliance organization that is specifically tasked with preventing breaches of laws or other provisions and company-internal guidelines and rules. In this connection, a compliance council was also set up, which comprises executives from the key departments. In addition to the adjustment of internal guidelines, the compliance council’s meetings in the fiscal year 2015 primarily addressed general compliance-relevant regulations.

Internal control system relevant for the financial reporting process

Porsche SE has implemented a group-wide internal control system relevant for the financial reporting process.

The inclusion and consolidation of the Porsche SE subsidiaries’ reporting packages and processing of the reporting packages of the associates as well as the related adjustments to the carrying amount of the respective investments accounted for at equity are processed at group level.

The IFRS accounting manual of Porsche SE and formal instructions ensure uniform recognition and measurement based on the accounting policies applicable at Porsche SE. The components of the formal reporting packages required to be prepared for Porsche SE are set out in detail and updated regularly. The reporting dates that are relevant for the reporting units are set out in a reporting calendar.

In the course of preparation of the consolidated financial statements, the reporting packages are analyzed in detail and tested for plausibility.



The reporting packages are processed in a consolidation system, which is based on standard software and to which access and rights are restricted by the existing authorization and access rules. During the preparation of the financial statements, the clear segregation of areas of responsibility and the application of the dual control principle are ensured by means of unambiguous rules.

The clear segregation of areas of responsibility as well as the application of the dual control principle are control mechanisms which, like testing for reasonableness, are also applied during the preparation of the financial statements of Porsche SE. At Porsche SE, the accounting for

provisions and accruals and deferrals as well as testing the company's equity investments included in the balance sheet for impairment are determined in cooperation with the departments responsible. The accounting processes implemented at Porsche SE ensure that matters arising from agreements that are relevant in terms of accounting and subject to disclosure requirements are identified in full and presented appropriately in the financial statements.

The subsidiaries Porsche Beteiligung GmbH, Porsche Zweite Beteiligung GmbH, Porsche Dritte Beteiligung GmbH and Porsche Vierte Beteiligung GmbH as well as the alternative investment fund are included in the systems implemented at Porsche SE.



A risk management and internal control system that is relevant for the financial reporting process is also implemented in the Volkswagen Group, as the significant reporting unit. Details of its scope are presented in the “Report on opportunities and risks of the Volkswagen Group” subsection.

Opportunities and risks at Porsche SE

Porsche SE mainly faces financial, legal and tax opportunities and risks.

Liquidity risks

In the course of business activities, for example in connection with existing liabilities, there is generally the risk of Porsche SE not being in a position to meet its payment obligations. Net liquidity therefore represents a significant risk indicator that is included in the regular reporting.

As of the reporting date, Porsche SE has significant positive net liquidity. In addition, Porsche SE has at its disposal a credit facility with a volume of €1.0 billion and a term until 9 October 2019, with ordinary shares of Volkswagen AG provided as collateral only in the event of the credit facility being drawn.

Considering the financial situation of the company and the amount of the ongoing operating expenses, the executive board assesses the liquidity risk as currently negligible.

Opportunities and risks arising from the use of financial instruments

In its business activities Porsche SE is exposed to risks arising from the use of financial instruments.

The financial instruments currently used in the Porsche SE Group in particular comprise cash and cash equivalents, time deposits, securities and non-derivative financial liabilities. In addition, within the scope of liquidity management, Porsche SE made investments in a newly established alternative investment fund on 1 April 2015. The funds of the alternative investment fund are invested in securities and derivative financial instruments by various asset managers.



As a result of the investment of its liquidity and as a result of guarantees which Porsche SE made to the Volkswagen Group in connection with the creation of the integrated automotive group, there are counterparty risks. To mitigate these risks, Porsche SE monitors the creditworthiness of the counterparties and spreads the investment of liquidity across various counterparties.

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. Moreover, the financial instruments held by the alternative investment fund are exposed to market price risks. In the event of a change in the market interest rates or the market prices, the fair value can decrease as well as increase. The risks described consequently also include corresponding opportunities. This also applies similarly with regard to liquidity invested by Porsche SE at a fixed interest rate, although the risk is mitigated considerably by the short-term nature of the investment.

The market price risks relating to the alternative investment fund are reduced by spreading the funds across various asset managers and strategies, and are limited by using an investment policy that specifies not only products and currencies, but also a risk budget. The risk

budget is allocated for the year and is in the low single-digit percentage range. In addition, an investment committee has been set up to monitor and manage the alternative investment fund.

Porsche SE's executive board assesses the risks arising from the use of financial instruments to be low overall.

Opportunities and risks of investments

In connection with the investments in Volkswagen AG and INRIX as well as any future investments, there is uncertainty for Porsche SE regarding the development of the value of the investments and the amount of cash inflows from these investments. This entails the risk of a need to recognize an impairment loss, with a corresponding negative impact on the profit of the Porsche SE and the Porsche SE Group, the risk of a decrease in dividend inflows and/or the risk of burdens on profits attributed to Porsche SE in the consolidated financial statements. However, there are also corresponding opportunities from positive development in these areas.



To detect a possible impairment at an early stage, Porsche SE regularly performs valuations of the investments in Volkswagen AG and INRIX, as well as analyzing key figures on the business development of each company and, if applicable, monitoring assessments made by analysts. Porsche SE carries out further impairment testing if there is any indication that this asset may be impaired. Porsche SE's valuations are based on a discounted cash flow method and are performed on the basis of the most recent corporate planning prepared by the management of the respective investment, which is adjusted to reflect the current information available, where necessary. A weighted average cost of capital is used to discount cash flows.

With regard to the investment in Volkswagen AG, there is an increased risk of the profit/loss attributable to Porsche SE as part of equity accounting and the future dividend inflow being subject to further burdens as a result of the diesel issue (we refer to the explanations in the section "Significant events at the Volkswagen Group"). These burdens may result in particular from new findings regarding the amount of the risk provisioning recognized (we refer to the explanations in the section "Report on opportunities and risks of the Volkswagen Group") or from effects of the

diesel issue on the operating business and/or the financing costs of the Volkswagen Group that exceed the extent assumed in the planning.

As regards the recoverability of the investment in Volkswagen AG, impairment testing was performed in the fiscal year 2015 due to the significant fall in the proportionate market capitalization to below the carrying amount. As the impairment test is based on the current planning of the Volkswagen Group, and in particular also takes into consideration the risk provisioning recognized in connection with the diesel issue in the fiscal year 2015 at the level of the Volkswagen Group, the risks of unexpected additional burdens described above also exist here. In light of this, sensitivity analyses regarding the critical assumptions were also performed as part of the impairment test. As the value in use of the investment in Volkswagen AG was significantly higher than the carrying amount in each of the scenarios considered in the sensitivity analysis, the risk of a need to recognize an impairment loss is considered to be low on the basis of the current information.

As regards the investment in INRIX, there were no indications of a need to recognize an impairment loss in the fiscal year 2015, as the



company developed as planned in the past fiscal year. Nevertheless, with regard to the profit/loss attributable to Porsche SE as part of equity accounting and with respect to the future recoverability of the investment, the risk underlying the value of the investment is, by its nature, considered elevated due to INRIX's ambitious growth plans. However, the potential effects on Porsche SE's results of operations, financial position and net assets would be correspondingly manageable owing to the relatively small shareholding.

Litigation risk

Porsche SE is involved in legal disputes and administrative proceedings both nationally and internationally. Where such risks are foreseeable, adequate provisions are recognized in order to account for any ensuing risks. The amount of the provisions for litigation costs recognized in the reporting year corresponds to the attorneys' fees and litigation expenses anticipated in this connection. The company does not believe, therefore, that these risks will have a sustained effect on the economic position of the group. However, due to the fact that the outcome of litigation can be estimated only to a limited degree, it cannot be ruled out that very serious losses may eventuate that are not covered by the provisions

already recognized, which would result in a correspondingly negative impact on profit/loss and liquidity.

For the status of the legal proceedings and for current developments, we refer to the section "Significant events and developments in the Porsche SE Group".

Tax opportunities and risks

The contribution of the holding business operations of Porsche SE to Volkswagen AG as of 1 August 2012 is generally associated with tax risks. To safeguard the transaction from a tax point of view, and thus avoid tax back payments for the spin-offs performed in the past, rulings were obtained from the competent tax authorities. Porsche SE implemented the necessary measures to execute the contribution transaction in accordance with the rulings received and is monitoring compliance with them. Porsche SE's executive board therefore considers the tax risk from the contribution to be extremely low.

In the fiscal year 2012, a tax field audit commenced for the assessment periods 2006 to 2008, which was completed in the fiscal year 2014. In addition, a tax field audit for the assessment periods 2009 to 2013 started at the end of 2015.



During the assessment periods 2006 to 2009, Porsche SE was initially the legal successor of Porsche AG and later the ultimate tax parent and thus liable for tax payments. Based on the findings of the completed tax field audit for the assessment periods 2006 to 2008, and on the basis of the information available from the tax field audit for the assessment periods 2009 to 2013 which were available when the financial statements were prepared, payments have already been made or provisions recognized. However, new insights from the tax field audit for the assessment periods 2009 to 2013 could result in an increase or decrease in the tax and interest payments due or any payments already made could be partially refunded.

Furthermore, Porsche SE made payments in the fiscal year 2014 in connection with a corporate income tax notice for the assessment period 2009 in order to avoid interest on tax back payments. This notice diverged in some respects from the Porsche SE's legal opinion on taxability and was therefore appealed. As a result of a decision of the tax authorities regarding the appeal, Porsche SE received amended tax assessment notices for the assessment period 2009 in the fiscal year 2015. These resulted in a tax refund including interest of €280 million. The assessment notices are still subject to subsequent review.

As part of the contribution of the business operations, Volkswagen AG agreed to refund to Porsche SE any tax benefits – for example, in the form of a refund, tax reduction or tax saving, a reversal of tax liabilities or provisions or an increase in tax losses – of Porsche Holding Stuttgart GmbH, Porsche AG and its legal predecessors and subsidiaries which pertain to assessment periods up to 31 July 2009. In return, under certain circumstances Porsche SE holds Porsche Holding Stuttgart GmbH, Porsche AG and their legal predecessors harmless from tax disadvantages that exceed the obligations from periods up until and including 31 July 2009 recognized at the level of these entities. If the total tax benefits exceed the total tax disadvantages, Porsche SE has a claim against Volkswagen AG to payment of the amount by which the tax benefits exceed the tax disadvantages. The amount of tax benefits and tax disadvantages to be taken into account is regulated in the contribution agreement. The obligations or risks recognized as provisions at the level of Porsche SE, for some of which payment was made during the reporting period, will in some cases lead to tax benefits in the Volkswagen Group that are expected to partly compensate the tax risks of Porsche SE. However, the provisions in the contribution agreement do not cover all matters and thus not all tax risks of Porsche SE from the tax



field audits for the assessment periods 2006 to 2009. The existence and amount of a possible reimbursement claim against Volkswagen AG can be reliably determined only following completion of the tax field audit for the assessment period 2009. Based on the findings of the completed tax field audit for the assessment periods 2006 to 2008 and the information available for the assessment period 2009 when these consolidated financial statements were prepared, Porsche SE would have a claim for compensation in the low triple-digit million euro range. Newer findings in the future from the tax field audit that started at the end of 2015 for the assessment period 2009 may lead to an increase or decrease in the possible compensation claim.

A wage tax field audit for the years 2011 to 2014 was also started in the fiscal year 2015. To date, no findings of the wage tax field audit are available.

As the tax field audit for the assessment periods 2009 to 2013 did not start until the end of 2015, it cannot currently be ruled out that there will be significant changes to the currently calculated figures in the matters described that depend on the findings of the tax field audit, which could result in a correspondingly negative impact on profit/loss and liquidity. The same applies to the wage tax field audit started in the fiscal year 2015 for the assessment periods 2011 to 2014.



Report on opportunities and risks of the Volkswagen Group

Objective of the risk management system and internal control system at Volkswagen

Only by promptly identifying, accurately assessing and effectively and efficiently managing the risks and opportunities arising from its business activities can Volkswagen ensure the Volkswagen Group's sustainable success. The aims of the risk management system (RMS) and the internal control system (ICS) is to identify potential risks at an early stage so that suitable countermeasures can be taken to avert the threat of loss to the company, and any risks that might jeopardize its continued existence can be ruled out.

Assessing the probability and extent of future events and developments is, by its nature, subject to uncertainty. The Volkswagen Group is therefore aware that even the best RMS cannot foresee all potential risks and even the best ICS can never completely prevent irregular acts.

Structure of the risk management system and internal control system at Volkswagen

The organizational design of the Volkswagen Group's RMS/ICS is based on the internationally recognized COSO framework for enterprise risk management (COSO: Committee of Sponsoring Organizations of the Treadway Commission). In the reporting period, Volkswagen again pursued a holistic, integrated approach that combines a risk management system, an internal control system and a compliance management system (CMS) within a single management strategy (governance, risk and compliance strategy). Structuring the RMS/ICS in accordance with the COSO framework for enterprise risk management ensures that potential risks are covered in full; opportunities are not recorded. Uniform group principles are used as the basis for managing risks in a consistent manner.

With this approach the group not only fulfils legal requirements, particularly with regard to the financial reporting process, but it is also able to manage significant risks to the group holistically, i.e. by incorporating both tangible and intangible criteria.



Another key element of the RMS/ICS at Volkswagen is the three lines of defense model, a basic element required, among others, by the European Confederation of Institutes of Internal Auditing (ECIIA). In line with this model, the Volkswagen Group's RMS/ICS has three lines of defense that are designed to protect the company from significant risks occurring.

No significant changes were made to the RMS/ICS in 2015. In connection with the examination of the emissions issue, Volkswagen started to analyze possible viable enhancements to the system in the reporting period. These include,

among other things, reinforcing the internal control system in the area of product compliance.

**First line of defense:
operational risk management**

The primary line of defense comprises the operational risk management and internal control systems at the individual group companies and business units. The RMS/ICS is an integral part of the Volkswagen Group's structure and workflows. Events that may give rise to risk are identified and assessed locally in the divisions and at the investees. Countermeasures are introduced immediately, their effects are assessed and the



information is incorporated into the planning in a timely manner. The results of the operational risk management process are incorporated into budget planning and financial control on an ongoing basis. The targets agreed in the budget planning rounds are continually reviewed in revolving planning updates.

At the same time, the results of risk mitigation measures that have already been taken are incorporated into the monthly forecasts on further business development without delay. This means that the board of management also has access to an overall picture of the current risk situation via the documented reporting channels during the year.

The minimum requirements for the operational risk management and internal control system are set out for the entire group in uniform guidelines. These also include a process for the timely reporting of material risks.

**Second line of defense:
identifying systemic risks using the regular
governance, risk and compliance process**

In addition to the units' ongoing operational risk management, the group Governance, Risk and Compliance (GRC) department each year sends standardized surveys on the risk situation and the effectiveness of the RMS/ICS to the material group companies and units worldwide (regular GRC process). The feedback is used to update the overall picture of the potential risk situation and assess the effectiveness of the system.

Each systemic risk reported is assessed using the expected likelihood of occurrence and various risk criteria (financial and nonfinancial). In addition, the measures taken to manage and control risk are documented at management level. This means that risks are assessed in the context of any risk management measures initiated, i.e. in a net analysis. In addition to strategic, operational and reporting risks, risks arising from potential compliance violations are also integrated into this process. Moreover, the effectiveness of key risk management and control measures is tested and any weaknesses identified in the process are reported and rectified.

All group companies and units selected from among the entities in the consolidated group on the basis of materiality and risk criteria were subject to the regular GRC process in fiscal year 2015. Only the Scania brand was excluded.



The consolidated Scania brand has not yet been included in the Volkswagen Group's risk management system due to various provisions of Swedish company law, but its gradual inclusion is planned from 2016 onward. According to Scania's corporate governance report, risk management and risk assessment are integral parts of corporate management. Risk areas at Scania are evaluated by the brand's Controlling department and reflected in the financial reporting.

**Third line of defense:
checks by group internal audit**

Group Internal Audit helps the board of management to monitor the various divisions and corporate units within the group. It regularly checks the risk early warning system and the structure and implementation of the RMS/ICS and the CMS as part of its independent audit procedures.

**Risk early warning system
in line with the KonTraG**

The company's risk situation is ascertained, assessed and documented in accordance with the requirements of the German Act on Control and Transparency in Business (KonTraG). The requirements for a risk early warning system are met

through the elements of the RMS/ICS described above (first and second lines of defense). Independently of this, the external auditors check both the processes and procedures implemented in this respect and the adequacy of the documentation on an annual basis. The plausibility and adequacy of the risk reports are examined on a random basis in detailed interviews with the divisions and companies concerned that also involve the external auditors. The latter assessed the Volkswagen Group's risk early warning system based on this volume of data and established that the risks identified were presented and communicated accurately. The risk early warning system therefore meets the requirements of the KonTraG.

In addition, the financial services division is subject both to scheduled examinations as part of the audit of the annual financial statements and to also unscheduled audits, in particular by the Banking Supervision Committee of the European Central Bank (ECB-SSM) and by the German Federal Financial Supervisory Authority (BaFin) within the meaning of Sec. 44 of the German Banking Act (KWG), as well as examinations by the Auditing Association of German Banks (Prüfungsverband deutscher Banken).



Monitoring the effectiveness of the risk management system and the internal control system

The RMS/ICS is regularly optimized as part of the continuous monitoring and improvement processes. In the process, equal consideration is given to both internal and external requirements. External experts assist in the continuous enhancement of the RMS/ICS on a case-by-case basis. The objective of the monitoring and improvements is to ensure the effectiveness of the RMS/ICS. The results culminate in both regular and event-driven reporting to the board of management and supervisory board of Volkswagen AG.

The risk management and integrated internal control system in the context of the financial reporting process

The accounting-related part of the RMS/ICS that is relevant for the financial statements of Volkswagen AG and the Volkswagen Group comprises measures that are intended to ensure the complete, accurate and timely transmission of the information required for the preparation of the financial statements of Volkswagen AG, the consolidated financial statements and the combined group management report. These measures are designed to minimize the risk of material misstatement in the accounts and in the external reporting.

Main features of the risk management and integrated internal control system relevant for the financial reporting process

The Volkswagen Group's accounting is basically organized along decentralized lines. For the most part, accounting duties are performed by the consolidated companies themselves or entrusted to the group's shared service centers. In principle, the audited financial statements of Volkswagen AG and its subsidiaries prepared in accordance with IFRSs and the Volkswagen IFRS accounting manual are transmitted to the group in encrypted form. A standard market product is used for encryption.

The Volkswagen IFRS accounting manual, which has been prepared using external expert opinions in certain cases, ensures the application of uniform accounting policies based on the requirements applicable to the parent. In particular, it includes more detailed guidance on the application of legal requirements and industry-specific issues. Components of the reporting packages required to be prepared by the group companies are also set out in detail there and requirements established for the presentation and settlement of intragroup transactions and the balance reconciliation process that builds on this.



Control activities at group level include analyzing and, if necessary, adjusting the data reported in the financial statements presented by the subsidiaries, taking into account the reports submitted by the auditors and the outcome of the meetings on the financial statements with representatives of the individual companies. These discussions address both the plausibility of the single-entity financial statements and specific significant issues at the subsidiaries. Alongside plausibility reviews, control mechanisms applied during the preparation of the single-entity and consolidated financial statements of Volkswagen AG include the clear delineation of areas of responsibility and the application of the dual control principle.

The group management report is prepared – in accordance with the applicable requirements and regulations – centrally but with the involvement of and in consultation with the group units and companies.

In addition, the accounting-related internal control system is independently reviewed by group internal audit in Germany and abroad.

Integrated consolidation and planning system

The Volkswagen consolidation and corporate management system (VoKUs) enables the Volkswagen Group to consolidate and analyze both Financial Reporting's backward-looking data and Controlling's budget data. VoKUs offers centralized master data management, uniform reporting, an authorization concept and maximum flexibility with regard to changes to the legal environment, providing a future-proof technical platform that benefits group financial reporting and group controlling in equal measure. To verify data consistency, VoKUs has a multi-level validation system that primarily checks content plausibility between the balance sheet, the income statement and the notes.



Opportunities and risks of the Volkswagen Group

The Volkswagen Group uses competitive and environmental analyses and market studies to identify not only risks but also opportunities with a positive impact on the design of its products, the efficiency with which they are produced, their success in the market and the Volkswagen Group's cost structure.

The business activities of the Volkswagen Group generally give rise to the following risks and opportunities: macroeconomic risks and opportunities, sector-specific risks and market opportunities, research and development risks, opportunities arising from the Modular Transverse Toolkit, risks and opportunities from procurement, production risk, risks from long-term production, risks arising from changes in demand, risks due to reliance on fleet business, quality risk, personnel risk, IT risks, risks due to environmental protection regulations, opportunities relating to CO₂ certificates, risks arising from court cases, financial risks, liquidity risks, risks arising from financial instruments, residual value risks arising from financial service business, reputation risks and risks from other factors.

The emissions issue gives rise to additional risks for the Volkswagen Group and also has an impact on existing risks. These are described below.

Additional risks from the emissions issue

In 2015, the Volkswagen Group recognized provisions arising from the emissions issue, in particular for the upcoming service campaigns, recalls and customer-related measures, but also for residual value risks.

Due to existing estimation risks particularly from legal risks, criminal and administrative proceedings, higher expenses for technical solutions, lower market prices, repurchase obligations and customer-related measures, further significant financial liabilities may emerge.

Demand may decrease – possibly exacerbated by a loss of reputation or insufficient communication. Other potential consequences include lower margins in the new and used car businesses and a temporary increase in funds tied up in working capital.

The funding needed to cover the risks may lead to assets having to be sold due to the situation and not being able to achieve equivalent proceeds for them as a result.





The Volkswagen Group's ability to use refinancing instruments may possibly be restricted in the future or precluded for existing instruments due to the current uncertainties regarding the effects of the emissions issue on the Volkswagen Group. A downgrade of the company's rating could also adversely affect the terms associated with the Volkswagen Group's borrowings.

Volkswagen is cooperating with all the responsible authorities to clarify these matters completely and transparently.

Effects of the diesel issue on legal risks

For a presentation of the emissions/diesel issue and its effects at the level of the Volkswagen Group, we refer to the explanations in the section "The emissions issue" in the section "Significant events at the Volkswagen Group". In the following, the effects of the diesel issue on the legal risks of the Volkswagen Group are presented.

On 4 January 2016, the U.S. Department of Justice (DoJ), on behalf of the EPA, filed a civil complaint against Volkswagen AG, AUDI AG and other companies of the Volkswagen Group. The claims asserted under civil law are founded on the alleged use of illegal (defeat device) software in violation of the American Clean Air Act. The complaint's allegations relate to both the four-cylinder and the six-cylinder diesel engines. On 12 January 2016, it was announced that CARB intends to seek civil fines for alleged violations of the California Health & Safety Code and various CARB regulations.

The allegations described are subject to extensive ongoing discussions between Volkswagen and the EPA or CARB, respectively, also including a rigorous review of relevant technical concepts. The investigations have not been completed at the present time.



Based on decisions dated 15 October 2015, the Kraftfahrtbundesamt German Federal Motor Transport Authority (KBA) ordered the Volkswagen passenger cars, Volkswagen commercial vehicles and SEAT brands to recall all of the diesel vehicles that had been issued with vehicle type approval by the KBA from among the 11 million affected. The recall concerns the member states of the European Union (EU28). On 10 December 2015, a similar decision was issued regarding Audi vehicles with the EA 189 engine. The timetable and action plan forming the basis for the recall order correspond to the proposals presented in advance by Volkswagen. Depending on the technical complexity of the remedial actions, this means that Volkswagen has been recalling the affected vehicles, of which there are around 8.5 million in total in the EU28 countries, to the service workshops since January 2016. Based on current knowledge, the remedial actions differ in scope depending on the engine variant. The technical solutions cover software and in some cases hardware modifications, depending on the series and model year. The details of the remedial actions will be agreed in close cooperation with the KBA, which must approve them in advance. Discussions are currently underway with the authorities in the other EU member states with the aim of ensuring that no legal actions above and beyond this will be taken in this connection by public authorities in the other member states. The

group brands SEAT and ŠKODA also received approvals in principal each from their respective type approval authorities – the Ministry of Industry in Spain and the Vehicle Certification Agency in the United Kingdom. In some countries outside the EU – among others Switzerland, Australia and Turkey – national type approval is based on prior recognition of the EC/ECE type approval. The Volkswagen Group is also in close contact with the authorities in these countries in order to coordinate the corresponding actions.

In addition, there is an intensive exchange of information with the authorities in the USA and Canada, where Volkswagen's planned actions in relation to the four-cylinder and the six-cylinder diesel engines will also have to be approved. Due to considerably stricter NO_x limits in the USA, it is a greater technical challenge to refit the vehicles so that all applicable emissions limits can be met.

Potential consequences for Volkswagen's results of operations, financial position and net assets could emerge primarily in the following legal areas:



1. Criminal and administrative proceedings all over the world (excluding the USA/Canada)

In addition to the approval processes with the responsible registration authorities, criminal investigations/misdemeanour proceedings have been opened (for example, by the public prosecutor's office in Braunschweig, Germany) and/or administrative proceedings have been announced in some countries (for example, by the BaFin). The public prosecutor's office in Braunschweig is investigating the core issue of the criminal investigations. Whether this will result in fines for the company, and if so what their amount might be is currently subject to estimation risks. According to Volkswagen's estimates so far, the majority of proceedings have less than a 50% probability of success.

2. Product-related lawsuits worldwide (excluding the USA/Canada)

In principle, it is possible that customers in the affected markets will file civil lawsuits against Volkswagen AG and other Volkswagen Group companies. In addition, it is possible that importers and dealers could assert claims against Volkswagen AG and other Volkswagen Group companies, e.g. through recourse claims. As well as

individual lawsuits, class action lawsuits are possible in various jurisdictions (albeit not in Germany).

In this context various lawsuits are pending against Volkswagen AG and other Volkswagen Group companies at present.

Class action proceedings against Volkswagen AG and other Volkswagen Group companies are pending in various countries such as Australia, Israel, Italy, Great Britain and the Netherlands. The proceedings in the Netherlands are focused on taking evidence only. The other class action proceedings are lawsuits aimed among other things at asserting damages. The amount of these damages cannot yet be quantified due to the early stage of the proceedings. In South Korea various mass proceedings are pending (individual lawsuits in which several hundred litigants have aggregated). These lawsuits are filed to assert damages and to rescind the purchase contract including repayment of the purchase price. Volkswagen does not estimate the litigants' prospect of success to be more than 50% in any of the aforementioned proceedings aimed at asserting damages.



Furthermore, individual lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in numerous countries. In Germany and Austria, individual lawsuits in the two-digit range are pending, most of which are aimed at asserting damages or rescinding the purchase contract. According to Volkswagen's estimates so far, the litigants' prospect of success is below 50% in the vast majority of the individual lawsuits.

It is too early to estimate how many customers will take advantage of the option to file lawsuits in the future, beyond the existing lawsuits, or what their prospects of success will be. On the one hand, the final results of the external investigation by Jones Day are not yet known. On the other hand, the public prosecutors' investigations are also still ongoing.

Volkswagen is working intensively to finalize the remedial actions described above. For the 2 l engines, implementation already started in the 4th week of January 2016.

Volkswagen is pursuing the clear aim to not adversely affect engine performance, fuel consumption and CO₂ emissions by implementing the planned measures.

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

Investors from Germany and abroad have announced that they are examining the possibility of pursuing claims for damages against Volkswagen AG due to the movements in Volkswagen AG's share price following publication of the EPA's notices of violation. Volkswagen AG had already been served with lawsuits that in particular claim damages due to alleged misconduct in capital market communications. Partially applications were simultaneously made to instigate proceedings in accordance with the Capital Markets Model Case Act. Volkswagen is of the opinion that it properly complied with its capital market obligations. Therefore, no provisions have been recognized.

4. Proceedings in the USA/Canada

Following the publication of the EPA's notices of violation, Volkswagen AG and other Volkswagen Group companies have been the subject of intense scrutiny, ongoing investigations (civil and criminal), and civil litigation. Volkswagen AG and other Volkswagen Group companies have received subpoenas and inquiries from state attorneys general and other governmental authorities and are responding to such investigations and inquiries.



In addition, Volkswagen AG and other Volkswagen Group companies in the USA/Canada are facing litigation on a number of different fronts relating to the matters described in the EPA's notices of violation.

On 4 January 2016, the US Department of Justice (DoJ), Civil Division, on behalf of the EPA, commenced a civil penalty lawsuit against Volkswagen AG, AUDI AG and certain other Volkswagen Group companies. The action seeks statutory penalties under the US Clean Air Act, as well as certain injunctive relief. On 12 January 2016, it was announced that CARB intends to seek civil fines for alleged violations of the California Health & Safety Code and various CARB regulations.

The DoJ has also opened a criminal investigation. This focuses on allegations that various federal law criminal offenses were committed.

A large number of putative class action lawsuits by affected customers and dealers have been filed in US federal courts and consolidated for pretrial coordination purposes in a federal court multidistrict litigation proceeding in the State of California. The claims primarily relate to compensation for material damage. The DoJ civil

penalty lawsuit referenced above has also been consolidated for pretrial coordination purposes in this California multidistrict litigation proceeding.

Additionally, in the USA, some putative class actions have been filed; some individual customers' lawsuits have been filed; and some state or municipal claims have been filed in state courts. The attorneys general of four US states (West Virginia, Texas, New Mexico and New Jersey) have commenced litigation in state courts and allege that Volkswagen Group of America inappropriately advertised clean diesels and that customers were misled into purchasing Volkswagen diesel vehicles as a result. The United States Federal Trade Commission (FTC) has also made similar accusations against the Volkswagen Group of America in its lawsuit from 29 March 2016.

In addition to lawsuits described above, for which provisions have been recognized, a number of lawsuits for damages have been filed on behalf of a putative class of purchasers of Volkswagen AG American Depository Receipts, alleging a suffered drop in price purportedly resulting from the matters described in the EPA's notices of violation. These lawsuits have also been consolidated in the federal multidistrict litigation proceeding in the State of California described above. Volkswagen is of the



opinion that it properly complied with its capital market obligations. Therefore, no provisions have been recognized.

5. Risk assessment regarding the diesel issue

To protect against the currently known legal risks, including suitable expenses for defense and legal advice related to the diesel issue, existing information and assessments at the time indicated the need to generate provisions in the amount of €7.0 billion. The provisions recognized and the other latent legal risks are partially subject to substantial estimation risks given the complexity of the individual factors, the ongoing regulatory approval process with the authorities and the fact that the independent and exhaustive investigations have not yet been completed. In addition, negotiations are currently being held with the authorities in the USA regarding possible investments in environment projects and e-mobility. The investments are expected to amount to approximately €1.8 billion. Their content and timing have yet to be defined.

Overall statement on the risks faced by the Volkswagen Group

The Volkswagen Group's overall opportunity and risk position results from the specific opportunities and risks shown above. The Volkswagen Group has put in place a comprehensive risk management system to ensure that these risks are controlled. The most significant risks to the group may result from a negative trend in unit sales of, and markets for, vehicles and genuine parts, from the failure to develop and produce products in line with demand and from quality problems. In comparison to the prior year, there are additional risks for the Volkswagen Group from the emissions issue, which taken together are among the most significant risks. Taking into account all the information known at present, no risks exist which could pose a threat to the continued existence of significant group companies or the Volkswagen Group.



Overall statement on the risks faced by the Porsche SE Group

The overall risk exposure of the Porsche SE Group is made up of the individual risks relating to the significant investment held in Volkswagen AG and the specific risks of Porsche SE presented. The risk management system ensures that these risks can be controlled. Based on the information currently available, the executive board has not identified any risks which could endanger the ability of the Porsche SE Group to continue as a going concern.

Publication of the declaration of compliance

Porsche SE has issued the declaration of compliance as required by Sec. 289a HGB. It can be viewed at <http://www.porsche-se.com/pho/en/investorrelations/declaration/>.

Subsequent events

Through its 50% interest in the joint venture Global Mobility Holding B.V. (GMH), Amsterdam, the Netherlands, the Volkswagen Group held a 50% indirect stake in the joint venture's subsidiary, LeasePlan Corporation N.V., Amsterdam, the Netherlands. LeasePlan is a Dutch financial services group whose core business is leasing and fleet management.

The final approvals for the sale of LeasePlan to an international consortium of investors were issued by the competent authorities in January 2016. The LeasePlan shares were legally transferred to the consortium on 21 March 2016.

The total value of the transaction was approximately €3.7 billion plus interest of €31.5 million. In 2016, this had a positive effect of €2.2 billion on investing activities and net liquidity and, taking into account the disposal of equity-accounted investment in GMH, resulted in a low three-digit million euro range for the Volkswagen Group, which is reported in the financial result of the Volkswagen Group. On completion of the transaction, the existing credit line of €1.3 billion provided by the Volkswagen Group was cancelled.

With the exception of the acquittal of the former members of the executive board, Dr. Wendelin Wiedeking and Holger Härter, of alleged suspicion of information-based manipulation of the market in Volkswagen shares described in the section "Significant events and developments in the Porsche SE Group", there were no reportable events after the reporting date at the level of the Porsche SE Group.



Forecast report and outlook

General economic development

The International Monetary Fund (IMF) expects global growth of 3.4% for the current year. According to this forecast, while growth of the global economy will accelerate year-on-year, the figure for 2016 was adjusted downward by 0.2 percentage points in comparison to the last IMF forecast of October 2015. The lower growth expectations are attributed to factors including the weak development of the emerging economies and developing countries, lower commodity prices and the gradual end to a strongly expansive monetary policy in the USA.

According to estimates by the IMF, risks will increase in 2016. In its update on the World Economic Outlook, the organization makes particular reference to the risks due to the change in the Chinese economy from an industrial to a service society. Growth of 6.3% is forecast for China in the current year.

The IMF expects growth of 2.6% for the USA for 2016. The fund significantly lowered its growth forecast for Brazil. According to estimates, the largest Latin American economy is expected to contract by 3.5% in 2016. The situation in Russia is also described as difficult, primarily as a result of the low oil price and Western sanctions.

The IMF expects growth of 1.7% for the euro zone as a whole and Germany respectively. This figure is slightly below the forecasts for other European countries such as Spain and the United Kingdom. Growth in Europe is currently fueled mainly by consumption.

The forecast growth upswing in the next two years, despite the ongoing weakening in China, is primarily attributed to the expected gradual improvement of growth rates in Brazil, Russia and some Middle Eastern countries. However, there might be a risk of the increase being endangered by new economic or political crises.

Exchange rate trends

The global economy lost a little of its momentum in 2015. Falling energy and commodity prices, uncertainty about the change in the Chinese growth model and the declining confidence in the economic stability of emerging markets resulted in further weakening of the currencies of those countries. The euro stabilized at a low level against the US dollar, the Chinese renminbi and the pound sterling in the course of the year. Despite appreciating temporarily, the Russian ruble remained weak, losing substantial ground again in the second half of the year. For 2016, we are forecasting that the euro will gain some strength against the US dollar, Chinese renminbi, the



pound sterling and other key currencies. The expectation is that the Russian ruble will remain weak.

Interest rate trends

Interest rates remained extremely low in fiscal year 2015 due to the continuation of expansionary monetary policy and the challenging overall economic environment. In the major Western industrialized nations, key interest rates persisted at a historic low level. While it became apparent in the USA and the United Kingdom that the extremely loose monetary policy was gradually drawing to an end, the European Central Bank continued to pursue this course. In light of further expansionary monetary policy measures in the euro zone, we therefore consider it unlikely that interest rates will rise significantly in 2016. In the USA and the United Kingdom, however, a moderate increase in interest rates is expected.

Commodity price trends

Many commodity prices decreased further in 2015. This was principally due to increasing excess supply in the global markets, but also to weaker economic growth in China and the strong US dollar. Assuming somewhat stronger growth in the global economy, we expect prices of most exchange-traded raw materials in 2016 to fluctuate around the current level.

Prospects on the automotive markets

We expect trends in the passenger car markets in the individual regions to be mixed in 2016. Overall, growth in global demand for new vehicles will probably be slower than in the reporting period.





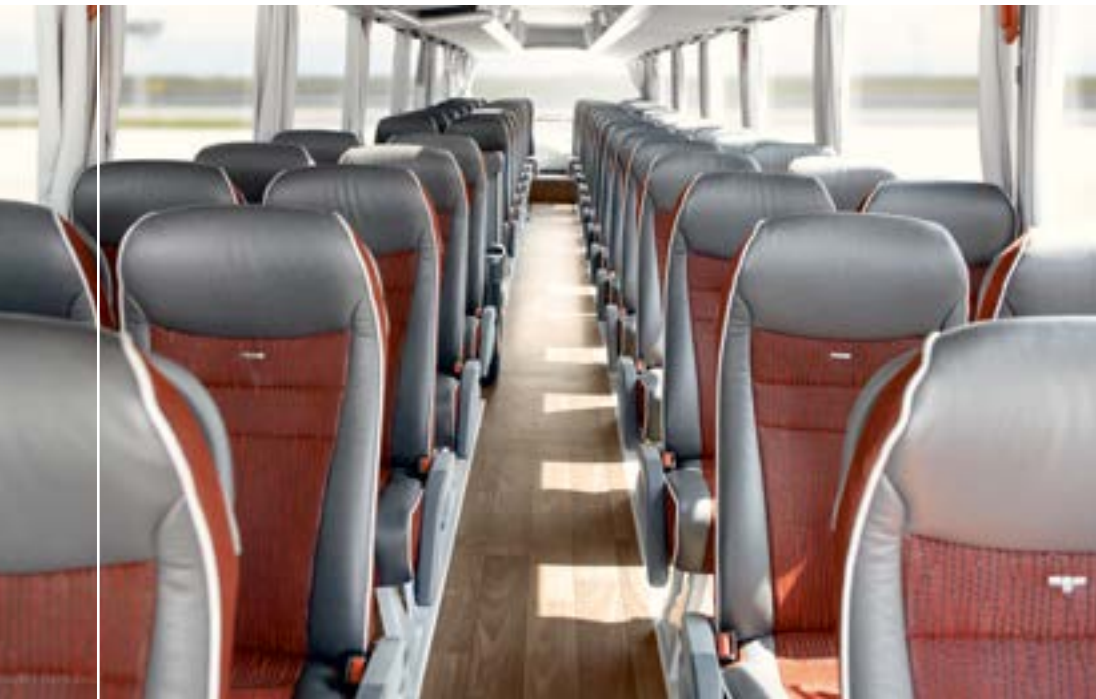
Anticipated development of the Volkswagen Group

The Volkswagen Group is well positioned to deal with the mixed developments in the global automotive markets. Its broad, selectively expanded product range featuring the latest generation of engines as well as a variety of alternative drives put Volkswagen in a good position globally compared with its competitors. The group's strengths include in particular its unique brand portfolio, its steadily growing presence in all major world markets and its wide selection of financial services. The Volkswagen Group's range of models runs the gamut from motorcycles through compact, sports and luxury cars to heavy trucks and buses, and covers almost all segments. The Volkswagen Group's brands will press ahead with their product initiative in 2016, modernizing and expanding their offering by introducing new models. The Volkswagen Group's goal is to offer all customers the mobility and innovations they need, sustainably strengthening its competitive position in the process.

The Volkswagen Group expect that, on the whole, deliveries to customers of the Volkswagen Group in 2016 will be on a level with the prior year in persistently challenging market conditions, with a growing volume in China.

In addition to the emissions issue, the highly competitive environment as well as interest rate and exchange rate volatility and fluctuations in raw materials prices all pose challenges. The Volkswagen Group anticipates positive effects from the efficiency programs implemented by all brands and from the modular toolkits.

Depending on the economic conditions – particularly in South America and Russia – and the exchange rate development and in light of the emissions issue, the Volkswagen Group expects



2016 sales revenue for the Volkswagen Group to be down by as much as 5% on the prior-year figure. In terms of the group's operating profit, Volkswagen anticipates an operating return on sales of between 5.0% and 6.0% in 2016.

In the passenger cars business area Volkswagen expects a sharp decrease in sales revenue, with an operating return on sales in the anticipated range of 5.5-6.5%. With sales revenue in the commercial vehicles business area remaining essentially unchanged, Volkswagen assumes operating return on sales to be between 2.0% and 4.0%. Volkswagen expects sales revenue in the power engineering business area to be perceptibly lower than the prior-year figure, with a significantly reduced operating profit. For the financial services division, Volkswagen is forecasting sales revenue and operating profit at the prior-year level. Disciplined cost and investment management and the continuous optimization of its processes are integral elements of the Volkswagen Group's strategy.

Anticipated development of the Porsche SE Group

The Porsche SE Group's profit/loss will be largely dependent on the results of operations of the Volkswagen Group and therefore on the profit/loss of the investment in it accounted for at equity that is attributable to Porsche SE. The forecast is therefore largely based on the expectations of the Volkswagen Group regarding the future development of its operating profit, taking into account the effects of the diesel issue, supplemented in particular by expectations regarding developments of the financial result, including the profit from investments. Based on the information available when the financial statements were authorized for issue, the financial result of the Volkswagen Group is expected to be balanced but volatile.

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



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

As of the end of the fiscal year 2015, Porsche SE had net liquidity of €1,704 million. Both Porsche SE and the Porsche SE Group aim to achieve positive net liquidity. This is expected to be between €1.0 billion and €1.5 billion as of 31 December 2016, not taking future investments into account.

Overall, based on the current group structure, in particular on the basis of the Volkswagen Group's expectations regarding its future development and the existing uncertainties with regard to possible special effects in connection with the diesel issue, Porsche SE expects a group profit for the year of between €1.4 billion and €2.4 billion for the fiscal year 2016.

Stuttgart, 25 April 2016

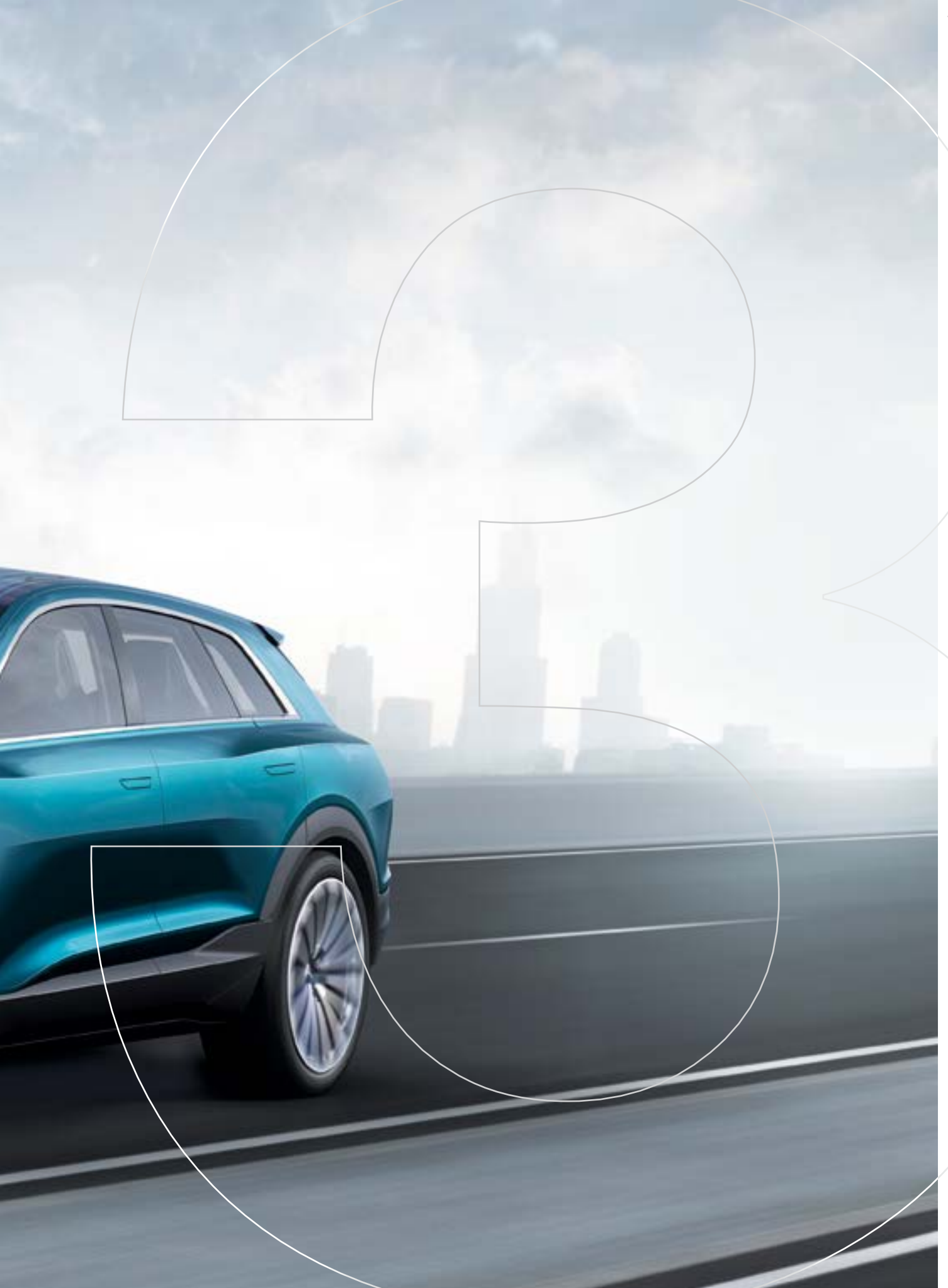
Porsche Automobil Holding SE
The executive board

3

Financials



Audi e-tron quattro concept





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GRAVITY
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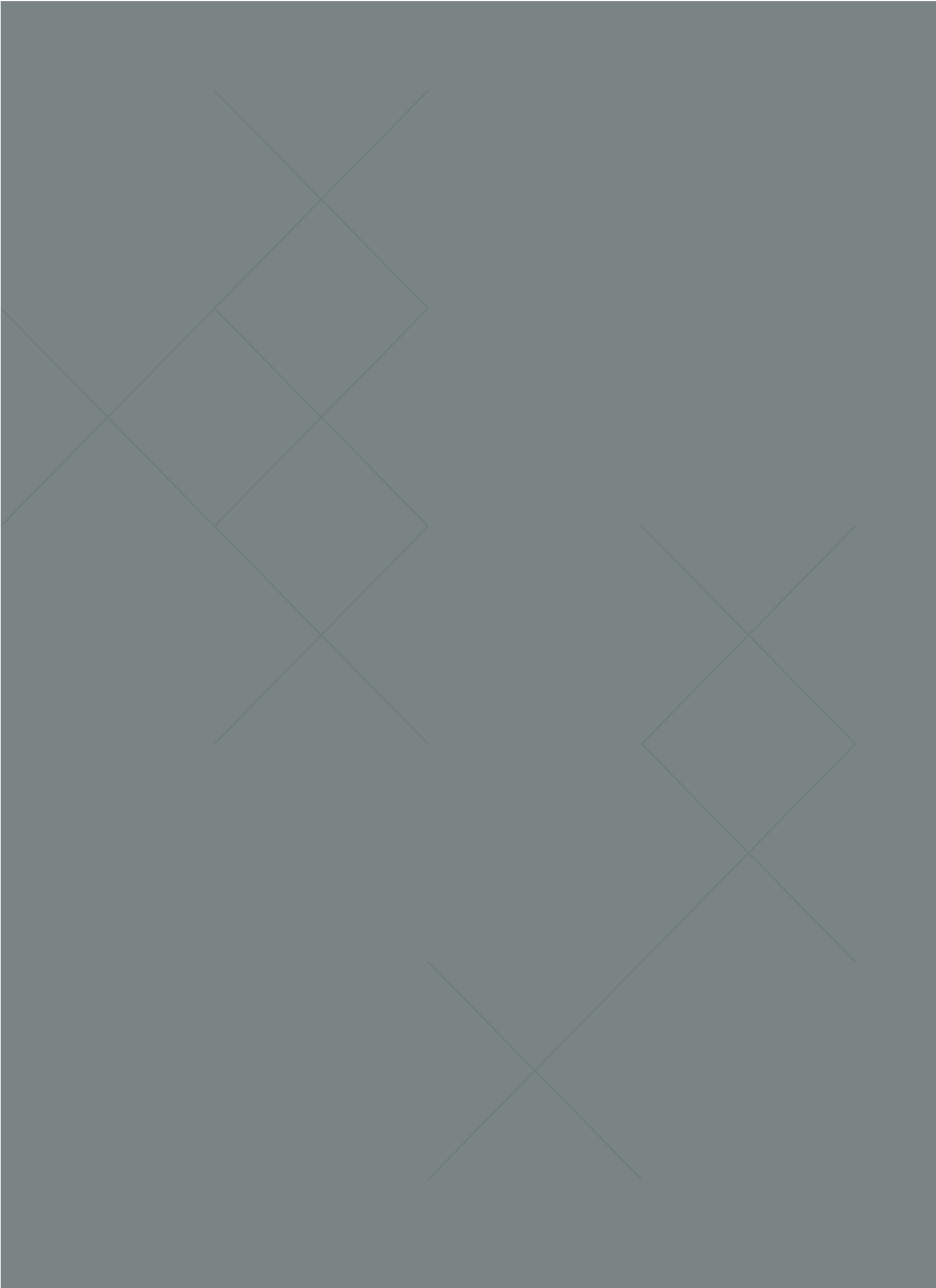


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Financials

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Consolidated income statement of Porsche Automobil Holding SE for the period from 1 January to 31 December 2015

€ million	Note	2015	2014
Other operating income	[1]	7	14
Personnel expenses	[2]	-15	-15
Other operating expenses	[3]	-31	-70
Profit/loss from investments accounted for at equity	[4]	-436	3,441 ¹
Profit/loss before financial result		-475	3,370¹
Finance costs	[5]	-43	-87
Other financial result	[6]	62	11
Financial result		19	-76
Profit/loss before tax		-456	3,294¹
Income tax	[7]	183	-259
Profit/loss for the year		-273	3,035¹
thereof attributable to shareholders of Porsche Automobil Holding SE		-273	3,035 ¹
Earnings per ordinary share (basic)	[8]	-0.90	9.90 ¹
Earnings per preference share (basic)	[8]	-0.89	9.91 ¹
Earnings per ordinary share (diluted)	[8]	-0.90	9.90 ¹
Earnings per preference share (diluted)	[8]	-0.89	9.91 ¹

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

Consolidated statement of comprehensive income of
Porsche Automobil Holding SE for the period from 1 January to 31 December 2015

€ million	2015	2014
Profit/loss for the year	- 273	3,035¹
Actuarial gains and losses after tax	0	-5
Other comprehensive income not reclassified subsequently to profit or loss from investments accounted for at equity (after tax)	541	-1,796
Total other comprehensive income not reclassified subsequently to profit or loss	541	-1,801
Other comprehensive income reclassified subsequently to profit or loss from investments accounted for at equity (after tax)	-643	-139
Total other comprehensive income reclassified subsequently to profit or loss	-643	-139
Other comprehensive income after tax	- 102	- 1,940
Total comprehensive income	- 375	1,095¹
thereof attributable to shareholders of Porsche Automobil Holding SE	-375	1,095 ¹

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

A breakdown of individual components of the statement of comprehensive income is given in note [16].

Consolidated balance sheet of Porsche Automobil Holding SE as of 31 December 2015

€ million	Note	31/12/2015	31/12/2014
Assets			
Investments accounted for at equity	[10]	25,609	27,405 ¹
Other receivables and assets	[11]	2	2
Non-current assets		25,611	27,407¹
Other receivables and assets	[11]	6	9
Income tax receivables	[12]	5	174
Securities	[13]	742	295
Time deposits	[14]	550	1,289 ²
Cash and cash equivalents	[15]	712	983 ²
Current assets		2,015	2,750
		27,626	30,157¹
Equity and liabilities			
Subscribed capital	[16]	306	306
Capital reserves	[16]	4,884	4,884
Retained earnings	[16]	21,922	23,997 ¹
Equity		27,112	29,187¹
Provisions for pensions and similar obligations	[17]	24	20
Other provisions	[18]	13	15
Deferred tax liabilities	[7]	22	36 ¹
Financial liabilities	[20]	300	300
Non-current liabilities		359	371¹
Income tax provisions	[18]	49	336
Other provisions	[18]	88	221
Trade payables	[19]	1	3
Income tax liabilities	[12]	0	11
Other liabilities	[21]	17	28
Current liabilities		155	599
		27,626	30,157¹

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

² Retrospective adjustment of the disclosure for time deposits in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

Consolidated statement of cash flows of Porsche Automobil Holding SE for the period from 1 January to 31 December 2015

€ million	2015	2014
1. Operating activities		
Profit/loss for the year	-273	3,035 ¹
Change in provisions for pensions	3	2
Change in other provisions	-135	45
Current income tax	-169	255
Change in deferred tax	-14	4
Income tax paid	-384	-183
Income tax received	424	0
Non-cash expenses and income	436	-3,440 ¹
Dividends received	719	599
Change in other receivables and other assets	3	-9
Change in trade payables and other liabilities (excluding tax provisions and other provisions)	-11	3
Cash flow from operating activities	599	311
2. Investing activities		
Cash paid for the acquisition of investments in associates	-547	-41
Cash flow from investing activities before investments in securities and time deposits	-547	-41
Change in investments in securities	-447	-295
Change in investments in time deposits	739	1,161
Cash flow from investing activities	-255	825
3. Financing activities		
Dividends paid to shareholders of Porsche SE	-615	-615
Cash flow from financing activities	-615	-615
4. Cash funds		
Change in cash funds (subtotal of to 3)	-271	521
Cash funds as of 1 January	983	462
Cash funds as of 31 December	712	983

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

Note [9] contains further explanations on the statement of cash flows.

Consolidated statement of changes in equity of Porsche Automobil Holding SE for the period from 1 January to 31 December 2015

	Subscribed capital	Capital reserves	Retained earnings		Equity
			Accumulated profit	Investments accounted for at equity ⁴	
€ million					
As of 1 January 2014 before restatement	306	4,884	25,200	80	30,470
Restatement according to IAS 8			-313		-313
As of 1 January 2014 after restatement	306	4,884	24,887	80	30,157
Profit/loss for the year			3,035 ¹		3,035 ¹
Other comprehensive income after tax			-5	-1,935	-1,940
Total comprehensive income for the period	0	0	3,030 ¹	-1,935	1,095 ¹
Dividend payment			-615 ²		-615
Transfer of other comprehensive income not reclassified subsequently due to the dilution of share in capital of investments accounted for at equity			-35	35	0
Other changes in equity arising from the level of investments accounted for at equity			-1,450		-1,450
As of 31 December 2014	306	4,884	25,817¹	-1,820	29,187¹
As of 1 January 2015 before restatement	306	4,884	26,123	-1,820	29,493
Restatement according to IAS 8			-306		-306
As of 1 January 2015 after restatement	306	4,884	25,817	-1,820	29,187
Profit/loss for the year			-273		-273
Other comprehensive income after tax			0	-102	-102
Total comprehensive income for the period	0	0	-273	-102	-375
Dividend payment			-615 ³		-615
Transfer of other comprehensive income not reclassified subsequently due to the dilution of share in capital of investments accounted for at equity			-128	128	0
Reclassification through profit or loss due to the dilution of the share in capital of investments accounted for at equity			-1,079		-1,079
Other changes in equity arising from the level of investments accounted for at equity			-6		-6
As of 31 December 2015	306	4,884	23,716	-1,794	27,112

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

² Distribution of a dividend of €2.004 per ordinary share; total €306,862,500 Distribution of a dividend of €2.01 per preference share; total €307,781,250

³ Distribution of a dividend of €2.004 per ordinary share; total €306,862,500 Distribution of a dividend of €2.01 per preference share; total €307,781,250

⁴ Income and expenses recognized directly in equity from investments accounted for at equity

Equity is explained in note [16].

Notes to the consolidated financial statements of Porsche Automobil Holding SE for the fiscal year 2015

Basis of presentation

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. The company is registered at the Stuttgart Local Court under HRB 724512. The business purpose of the company comprises the management of companies and the administration of investments in companies active in the following business fields or parts thereof:

- The development, design, manufacture and distribution of vehicles, engines of all kinds and other technical or chemical products as well as of parts and assemblies thereof;
- The provision of advice in the area of development and production, especially in the area of vehicle and engine construction;
- The provision of advice on and development of data processing as well as the creation and distribution of data processing products;
- The marketing of products using trademark rights;
- The provision of financial and mobility services;
- The exploitation, procurement, processing and distribution of raw materials used in the automobile industry;
- The generation and procurement of energy, especially of renewable energies, as well as the trading of energy;
- The acquisition, holding and administration as well as the disposal of real estate.

The purpose of the company includes in particular the acquisition, holding and administration as well as the sale of investments in such companies, their combination under uniform control and the provision of support and advice to them, including the provision of services on behalf of such companies.

The company may also be active itself in the business areas specified. This does not apply to banking transactions and financial services requiring approval. The company may limit its activities to parts of the business fields specified above.

The company may engage in all kinds of business and take all measures that are related to the business purpose or that it deems directly or indirectly useful for achieving that purpose. To this end, it may also establish branches, in Germany and abroad, establish and purchase other companies or acquire interests in such companies.

The consolidated financial statements of Porsche SE as of 31 December 2015 were prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union. The standards published by the International Accounting Standards Board (IASB), London, that have been endorsed as part of the comitology procedure and are applicable as of the reporting date as well as the interpretations issued by the IFRS Interpretations Committee (IFRS IC) that are valid for the fiscal year have been taken into account. The requirements of the standards and interpretations applied were satisfied in full. In addition, all applicable requirements of German commercial law and the provisions of the German Corporate Governance Code were observed in preparing the consolidated financial statements. For the reports and disclosures on the changes to the voting interest in Porsche SE pursuant to the Securities Trading Act (WpHG), reference is made to the separate financial statements of Porsche SE prepared in accordance with the German Commercial Code (HGB). The financial statements give a true and fair view of the net assets, financial position and results of operations of the Porsche SE Group.

These consolidated financial statements comply with the requirements of Sec. 315a HGB. This regulation represents the legal basis for group accounting according to International Financial Reporting Standards in Germany in conjunction with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the adoption of international accounting standards.

The fiscal year of the Porsche SE Group covers the period from 1 January to 31 December of a year.

The group's presentation currency is the euro. Unless otherwise stated, all figures are presented in millions of euro (€ million).

The income statement has been prepared using the nature of expense method.

As of the reporting date, the business activities of the Porsche SE Group are essentially limited to holding and managing investments, in particular in Volkswagen Aktiengesellschaft, Wolfsburg, ("Volkswagen AG" or "VW") (reference is made to the explanations in the section "Consolidated group"). The prerequisites for the application of segment reporting pursuant to IFRS 8 were therefore not satisfied.

The consolidated financial statements and group management report of Porsche SE were authorized for issue to the supervisory board by the executive board by resolution dated 25 April 2016. The period subsequent to the reporting date for which adjusting events can be disclosed ends on that date.

List of shareholdings of the group

Changes in the reporting period

Porsche Zweite Beteiligung GmbH, Porsche Dritte Beteiligung GmbH and Porsche Vierte Beteiligung GmbH, all domiciled in Stuttgart, Germany, were established in February 2015. Porsche SE holds 100% of the share capital in each of these shelf companies. In addition, an alternative investment fund for cash investments was established on 1 April 2015. This fund is included in the consolidated financial statements of Porsche SE by way of full consolidation.

At the end of September 2015, Porsche SE reached an agreement with Suzuki Motor Corporation, Shizuoka, Japan, to acquire a 1.5% stake in the ordinary shares of Volkswagen AG in an off-market transaction. This increased Porsche SE's shareholding in the ordinary share capital of Volkswagen AG from 50.7% to 52.2%. The share held in the subscribed capital of Volkswagen AG increased to 32.4% as of the date of acquisition. Due to the issue of preference shares until 9 November 2015 in connection with the mandatory convertible bonds issued by Volkswagen AG, Porsche SE's share in the subscribed capital of Volkswagen AG decreased to 30.8%.

Changes in the comparative period

On 3 September 2014, the Porsche SE Group acquired a stake of around 12.2%* in the US technology company INRIX Inc., Kirkland, Washington, USA ("INRIX") for a purchase price of €41 million. INRIX holds a leading position worldwide in the area of connected car services and real-time traffic information.

* Considering INRIX's stock option plans as of the acquisition date and assuming maximum dilution, the share would be around 10%.

List of shareholdings of the group as of 31 December 2015

	Share in capital as of 31/12/2015	Currency	FX rate 1 € =	Equity	Profit/loss
	%			€ thousand	€ thousand
Fully consolidated entities					
Germany					
Porsche Beteiligung GmbH, Stuttgart	100.0	€	-	42,785	0 ²
Porsche Zweite Beteiligung GmbH, Stuttgart	100.0	€	-	24	0 ²
Porsche Dritte Beteiligung GmbH, Stuttgart	100.0	€	-	24	0 ²
Porsche Vierte Beteiligung GmbH, Stuttgart	100.0	€	-	24	0 ²
Associates accounted for at equity					
Germany					
Volkswagen Aktiengesellschaft, Wolfsburg	30.8 ¹	€	-	24,368,060	-5,515,488
International					
INRIX Inc., Kirkland, Washington	11.9	US\$	1.0887	40,131 ³	-12,706 ³

¹ Diverging from the capital share, the share in voting rights is 52.2% as of the reporting date

² Profit and loss transfer agreement with Porsche SE

³ Figures taken from the 2014 financial statements

Porsche Beteiligung GmbH, Porsche Zweite Beteiligung GmbH, Porsche Dritte Beteiligung GmbH and Porsche Vierte Beteiligung GmbH satisfied the conditions of Sec. 264 (3) HGB and make use of the exemption from the requirement to publish financial statements.

Full consolidation and at equity accounting

The consolidated financial statements of Porsche SE include by means of full consolidation all entities controlled by Porsche SE, i.e., where Porsche SE is exposed, or has rights, to variable returns from its involvement and has the ability to use power over the investee to affect the amount of such returns. Initial consolidation by way of full consolidation is performed as of the date on which the acquirer obtains control. A company is no longer fully consolidated upon loss of control.

Entities where Porsche SE is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or where Porsche SE, directly or indirectly, shares joint control together with another party (joint ventures), are accounted for at equity.

When holding 20% or more of the voting rights, there is a rebuttable presumption that significant influence is given. Conversely, when holding less than 20% of the voting rights, it is presumed that there is no significant influence unless there is clear evidence of such significant influence.

Despite the fact that the Porsche SE Group holds less than 20% of the voting rights in INRIX, the group considers it to be an associate because it has the power to participate in its financial and operating policy decisions through participation rights granted on the board of directors and related committees.

Joint ventures and associates also include companies in which the Porsche SE Group holds the majority of voting rights, but whose articles of association or partnership agreements stipulate that important decisions may not be made without the approval of the other shareholders or where Porsche SE does not have control as defined by IFRSs for other reasons.

The articles of association of Volkswagen AG prescribe that the State of Lower Saxony has a right to appoint two members of the supervisory board, provided that it holds at least 15% of the ordinary shares in Volkswagen AG. On account of the interest held by the State of Lower Saxony in Volkswagen AG, this delegation right prevents Porsche SE from including the Volkswagen Group in the consolidated financial statements of Porsche SE by way of full consolidation because Porsche SE cannot determine the majority on the supervisory board of Volkswagen AG and it consequently does not have control as defined by IFRSs. Due to the significant influence exercised by Porsche SE, however, its investment in Volkswagen AG is accounted for in the consolidated financial statements of Porsche SE at equity.

The number of entities included in the consolidated financial statements of Porsche SE as of the reporting date (including an alternative investment fund) is shown in the following table:

	31/12/2015	31/12/2014
Fully consolidated subsidiaries		
Germany	4	1
Fully consolidated alternative investment fund		
Germany	1	0
Associates		
Germany	1	1
International	1	1
	7	3

Investments in associates

Volkswagen AG, one of the world's leading automobile manufacturers and Porsche SE's most important investment, is included in the consolidated financial statements of Porsche SE as an associate. As of 31 December 2015, the market value of the investment in Volkswagen AG amounted to €21,937 million (31 December 2014: €26,973 million). In the fiscal year, Porsche SE received a dividend of €719 million from Volkswagen AG (prior year: €599 million).

Taking into account the identification and subsequent effects of hidden reserves and liabilities for the shares already held and the additional shares acquired at the end of September 2015 in connection with the accounting at equity at the level of Porsche SE, the Volkswagen Group reports the following figures:

	VW without acquisition in FY2015	VW acquisition of shares in FY2015	VW Total	
€ million	31/12/2015	31/12/2015	31/12/2015	31/12/2014
Non-current assets	239,198	277,942	-	221,950
Current assets	145,426	145,387	-	131,157
Non-current liabilities	145,821	158,803	-	130,116 ¹
Current liabilities	148,489	148,489	-	130,709
Equity	90,314	116,037	-	92,282 ¹
thereof non-controlling interests and hybrid capital investors	-7,845	-7,770	-	-5,314
Effects from preference shares	-57	-3	-	-46
Equity adjusted for at equity accounting	82,412	108,264	-	86,922 ¹
Carrying amount of the investment in Volkswagen AG accounted for at equity	24,621	950	25,571	27,364¹

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

€ million	VW without acquisition in FY2015	VW acquisition of shares in FY2015	VW Total	2014
	2015	2015	2015	
Revenue	213,292	53,029	-	202,458
Total comprehensive income	-1,684	746	-	4,912
thereof other comprehensive income	77	-324	-	-5,953
thereof profit/loss from continuing operations	-1,761	1,070	-	10,865
Profit/loss attributable to non-controlling interests and hybrid capital investors	-221	-58	-	-221
Effects from preference shares	-11	-3	-	-11
Effects from change in share in capital during the year	-190	46	-	95
Profit/loss for the year adjusted for at equity accounting	-2,183	1,055	-	10,728
Profit/loss for the year attributable to Porsche SE Group	-652	9	-643	3,378
Income from first-time valuation at equity of newly acquired shares	0	448	448	0
Effects from dilution of share in capital	-219	-20	-239	64 ¹
Profit/loss from investment in Volkswagen AG accounted for at equity	-871	437	-434	3,442¹

The carrying amount of other investments accounted for at equity comes to €38 million (31 December 2014: €41 million). The profit or loss from other investments accounted for at equity breaks down as follows:

€ million	2015	2014
Profit/loss from continuing operations	-2	-1
Other comprehensive income	-1	0
Total comprehensive income	-3	-1

The prior-year figures are attributable to the period from 3 September to 31 December 2014.

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

Consolidation principles

Since the accounting at equity has a significant influence on the net assets and results of operations of the Porsche SE Group, the consolidation principles applicable only within the Volkswagen Group and the INRIX Group (INRIX Inc. and its subsidiaries) are also included in the explanations below.

The financial statements of all subsidiaries and investments accounted for at equity were prepared as of the reporting date of the consolidated financial statements, which is the reporting date of Porsche SE. Where necessary, adjustments are made to uniform group accounting policies.

Business combinations are accounted for by applying the acquisition method pursuant to IFRS 3.

The cost of a business combination is measured in accordance with IFRS 3 as the aggregate of the consideration transferred as of the acquisition date, measured at acquisition-date fair value, and the non-controlling interests in the entity. The non-controlling interests can be measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed and therefore do not constitute a component of cost. Contingent consideration is measured at the fair value on the acquisition date. Subsequent changes in value do not generally lead to an adjustment in the measurement as of the acquisition date.

If the business combination is achieved in stages, the acquirer's equity interest in the acquiree held prior to the acquisition of control is remeasured to fair value as of the acquisition date and the gain or loss resulting from remeasurement recognized in profit or loss.

Where the cost of a business combination exceeds the fair value of identifiable assets acquired net of liabilities assumed as of the acquisition date, the excess is recognized as goodwill. In contrast, where the cost of a business combination is less than the fair value of identifiable assets acquired net of liabilities assumed as of the acquisition date, the difference is recognized in the income statement after reassessing the fair values.

Any difference arising upon acquisition of additional shares or sale of shares after initial consolidation without loss of control in a subsidiary that has already been fully consolidated is recognized within equity.

Intragroup expenses and income, receivables, liabilities and provisions as well as cash flows are eliminated. Intercompany profits from the sale of assets within the group which have not yet been resold to third parties are eliminated. Deferred taxes are recognized for intragroup transactions that affect income tax, with tax assets and tax liabilities being offset if the tax creditor is identical and the maturities match. In addition, guarantees and warranties assumed by Porsche SE or one of its consolidated subsidiaries in favor of other consolidated subsidiaries are eliminated.

In the event that control is lost and the parent company continues to hold shares in the previous subsidiary, such shares are measured at fair value on the date of loss of control. If the shares are listed on the stock exchange, the fair value of the shares on the date when control is lost is the product of the number of shares retained and the quoted market price of the shares as of that date.

When deconsolidating a previous subsidiary, the difference between the consideration received (upon disposal) or the fair value of the investment retained (upon partial sales or loss of control for other reasons) and the net assets disposed of at the date when control is lost (including any goodwill disposed of in the course of acquisition accounting) and the carrying amount of the non-controlling interests disposed of as of the date of loss of control is recognized in profit or loss. Income and expenses recognized directly in the previous subsidiary's equity and investments accounted for at equity's equity for foreign currency effects, securities marked to market, cash flow hedges are also derecognized through profit or loss at the date of loss of control. Actuarial gains and losses from pension plans recognized in equity are however transferred to accumulated profits without effect on profit or loss. Any revaluation reserve recognized in accordance with IFRS 3 (rev. 2004) is likewise not derecognized through profit or loss at the date of deconsolidation but reclassified to accumulated profits within equity.

Equity accounting

When investments accounted for at equity are acquired, they are recognized at cost, including acquisition-related costs, as of the date of initial recognition at equity. In the event of partial sale or loss of control of previously fully consolidated subsidiaries for other reasons, they are recognized at fair value as of the date when control is lost. The consolidation procedures generally apply by analogy to investments accounted for at equity. Any goodwill that arises as part of the investment carrying amount is not amortized or tested for impairment separately. Any negative goodwill is reassessed and recognized in profit or loss at the date when the investment is initially accounted for at equity.

In subsequent periods, the carrying amount is changed to reflect the Porsche SE Group's share of changes in net assets of the associate or joint venture. The group's share in profit/loss after tax and after non-controlling interests is recognized in the income statement within the item "profit/loss from investments accounted for at equity". Dilutive effects reducing the investment carrying amount that arise from capital increases at the level of the investment without participation or with disproportionately low participation of the Porsche SE Group and which do not lead to any changes in the status of the investment as an associate or joint venture are also recognized in this item when the dilutive effects arise.

Changes in income and expenses recognized directly in equity at the level of the associate or joint venture are recognized in a separate item within Porsche SE's group equity. Distributions received lead to a reduction of the investment's carrying amount. Other changes in equity at the level of investments accounted for at equity include the proportionate changes in the non-controlling interests within the respective group of investments accounted for at equity attributable to Porsche SE which do not lead to a change in control and are therefore recognized in equity in their consolidated financial statements. Other changes in equity at the level of the investee recognized directly in equity are also recognized in equity in Porsche SE's consolidated financial statements, provided they do not dilute the capital share.

When additional interests are acquired without a change in status, each tranche is generally accounted for at equity separately, i.e., the difference between the pro rata remeasured equity of the investee and the acquisition costs of the interests is calculated for the new interests and accounted for individually in subsequent periods or, if there is a negative difference, they are recognized in profit or loss. Interests already held are not remeasured.

An impairment test is carried out whenever there is any indication in accordance with IAS 39 that the entire carrying amount of the investment is impaired. Where the carrying amount of the investment exceeds its recoverable amount determined in accordance with IAS 36, an impairment loss is recognized in profit or loss to account for the difference. Value in use is determined on the basis of the estimated future cash flows expected to be generated by the investment accounted for at equity in accordance with IAS 28.33a. Where an impairment loss was recognized in prior periods, it is assessed at least once a year whether there is any indication that the reason for a previously recognized impairment loss no longer exists or has decreased. If this is the case, the recoverable amount is recalculated and an impairment previously recognized that no longer exists is reversed.

Currency translation

Foreign currency items in the financial statements of the entities included in the consolidated financial statements by way of full consolidation or at equity are measured at the spot exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing rate. Non-monetary items denominated in a foreign currency measured at historical cost are translated using the exchange rate on the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate prevailing on the date when the fair value was determined. Exchange rate gains and losses as of the reporting date are recorded in profit or loss.

Goodwill and adjustments to recognize assets and liabilities arising from business combinations at their fair value are expressed in the functional currency of the subsidiary.

Financial statements prepared in a foreign currency are translated to the euro in accordance with IAS 21. The functional currency of the company included in consolidation is the currency of the primary economic environment in which it operates.

Assets, liabilities and contingent liabilities are translated at the closing rate as of the reporting date, while equity is translated at historical rates with the exception of income and expenses recognized directly in equity. The income statement is translated using average exchange rates. Exchange rate differences resulting from the translation of financial statements are recognized as a separate component directly in equity until the disposal of the subsidiary. Upon disposal the separate item is reclassified to profit or loss.

The foreign currency rates applied for translating transactions to the euro are presented in the following tables.

		Balance sheet Closing rate			
		Porsche SE Group	VW Group ¹	Porsche SE Group	VW Group ¹
1€=		31/12/2015	31/12/2015	31/12/2014	31/12/2014
Argentina	ARS	N/A	14.1351	N/A	10.2725
Australia	AUD	N/A	1.4897	N/A	1.4829
Brazil	BRL	N/A	4.3117	N/A	3.2207
Canada	CAD	N/A	1.5116	N/A	1.4063
China	CNY	N/A	7.0608	N/A	7.5358
Czech Republic	CZK	N/A	27.0230	N/A	27.7350
India	INR	N/A	72.0215	N/A	76.7190
Japan	JPY	N/A	131.0700	N/A	145.2300
Mexico	MXN	N/A	18.9145	N/A	17.8679
Poland	PLN	N/A	4.2639	N/A	4.2732
Republic of Korea	KRW	N/A	1,280.7800	N/A	1,324.8000
Russia	RUB	N/A	80.6736	N/A	72.3370
South Africa	ZAR	N/A	16.9530	N/A	14.0353
Sweden	SEK	N/A	9.1895	N/A	9.3930
United Kingdom	GBP	N/A	0.7340	N/A	0.7789
USA	USD	1.0887	1.0887	1.2141	1.2141

¹ Accounted for at equity

		Income statement			
		Average rate			
		Porsche SE Group	VW Group ¹	Porsche SE Group	VW Group ¹
1€=	2015	2015	2014	2014	
Argentina	ARS	N/A	10.26074	N/A	10.7723
Australia	AUD	N/A	1.4765	N/A	1.4724
Brazil	BRL	N/A	3.6916	N/A	3.1228
Canada	CAD	N/A	1.4176	N/A	1.4669
China	CNY	N/A	6.9730	N/A	8.1883
Czech Republic	CZK	N/A	27.2850	N/A	27.5358
India	INR	N/A	71.1752	N/A	81.0689
Japan	JPY	N/A	134.2865	N/A	140.3772
Mexico	MXN	N/A	17.5998	N/A	17.6621
Poland	PLN	N/A	4.1828	N/A	4.1845
Republic of Korea	KRW	N/A	1,255.7406	N/A	1,399.0295
Russia	RUB	N/A	68.0068	N/A	51.0113
South Africa	ZAR	N/A	14.1528	N/A	14.4065
Sweden	SEK	N/A	9.3545	N/A	9.0969
United Kingdom	GBP	N/A	0.7260	N/A	0.8064
USA	USD	1.1095	1.1096	1.3285	1.3288

¹ Accounted for at equity

Accounting policies

The assets and liabilities of Porsche SE and the consolidated German and foreign subsidiaries included are accounted for using uniform accounting policies applicable within the Porsche SE Group. The same accounting policies are also used at the level of the associates and joint ventures of Porsche SE. Where necessary, adjustments are made.

Since the contributions to profit or loss made by the investments accounted for at equity have a significant impact on the net assets and results of operations of the Porsche SE Group, those accounting policies applicable at the Porsche SE Group only within the Volkswagen Group and the INRIX Group are also included in the explanations below.

Measurement principles

With the exception of certain items, such as the financial instruments at fair value through profit or loss, investments accounted for at equity or the provision for pensions and similar obligations, the consolidated financial statements are prepared using the historical cost principle. The measurement principles used are described below in detail.

Intangible assets

Purchased intangible assets that are not acquired in a business combination are initially recognized at cost in accordance with IAS 38. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either determinable or indefinite.

Intangible assets acquired for a consideration with a determinable useful life are written off on a straight-line basis over their economic useful life, taking any impairments into account. Useful lives are generally three years. Useful lives, residual values and methods of amortization are reviewed, and adjusted if appropriate, at least at the end of the reporting year. If adjustments are made, these are accounted for as changes in estimates.

Intangible assets with indefinite useful lives and intangible assets that are not yet ready for use are not amortized. These include goodwill and brands from business combinations as well as capitalized development costs not yet subject to amortization. The useful lives of brands often arise from the continued use and maintenance of a brand and are therefore considered indefinite based on the assessment that the inflow of economic benefits from these assets cannot be attributed to a specific period. Each asset or cash-generating unit is tested at least once a year for impairment. Intangible assets with indefinite useful lives are reviewed once a year to determine whether the indefinite life assessment continues to be supportable. If this is no longer the case, the change in the useful life assessment from indefinite to determinable is made prospectively.

With the exception of their capitalizable portion, development costs are not capitalized, but recognized in profit or loss in the period in which they are incurred. The portion of development expenditure that can be measured reliably and meets all other recognition criteria of IAS 38 is capitalized. Capitalized development costs include all costs and overhead expenditure directly attributable to the development process incurred after the point in time at

which all recognition criteria are met. Capitalized development costs are amortized beginning at the start of production using the straight-line method over the expected useful life of the product, taking any impairments into account. The useful life is usually two to ten years. Research costs are expensed as incurred.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation over the useful life of the assets and any accumulated impairment losses. The cost of items of property, plant and equipment acquired as part of a business combination is the fair value as of the date of acquisition. Self-constructed items of property, plant and equipment are recognized at cost. Cost is determined on the basis of the direct and the proportionate indirect production-related costs. Grants are generally deducted from cost. Costs for repairs and maintenance are recognized as an expense.

Property, plant and equipment is depreciated over the estimated useful life on a straight-line basis pro rata temporis.

Depreciation is based on the following useful lives:

	Years
Buildings	20 to 50
Site improvements	10 to 20
Technical equipment and machinery	6 to 12
Other equipment, furniture and fixtures (including special tools)	3 to 15

Residual values, depreciation methods and useful lives are regularly reviewed, and adjusted prospectively as changes in estimates if appropriate.

Property, plant and equipment are either derecognized upon disposal or when no future economic benefits are expected from the continued use or sale of a recognized asset. The gain or loss arising from the derecognition of the asset, determined as the difference between net disposal proceeds and the asset's carrying amount as of the date of disposal, is included in profit or loss for the period when the asset is derecognized.

Leases

Whether an arrangement is, or contains a lease, is determined on the basis of the economic substance of the arrangement at its inception date and requires an assessment whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment after the inception of the lease is only performed under the prerequisites set forth in IFRIC 4.

Operating leases

Leases under which substantially all the risks and rewards incidental to ownership of the asset are not transferred to the lessee are classified as operating leases.

Most of the assets leased to third parties under operating leases are vehicles leased from the group's leasing companies. Leased vehicles are recognized at cost and depreciated on a straight-line basis over the term of the lease to the calculated residual value. Depending on the local circumstances and past experience from used car marketing, continuously updated internal and external information about the development of residual value is incorporated in the residual value forecast.

Where group companies are the lessee in operating leases, i.e. when not all significant risks and rewards incidental to ownership are transferred to the group entities, lease or rental payments are recognized as an expense in the income statement.

Finance leases

A lease is classified as a finance lease if substantially all risks and rewards incidental to ownership are transferred to the lessee.

Where items of property, plant and equipment are used under a finance lease, the lessee recognizes the individual assets and liabilities resulting from the lease at fair value or, if lower, the present value of the minimum lease payments. Items of property, plant and equipment are depreciated on a straight-line basis over the economic useful life or the term of the lease, if shorter. Payment obligations arising from future lease payments are discounted and recognized as a liability.

Where group companies act as the lessor under finance leases, receivables relating to the leases are initially recognized at an amount equal to the net investment.

Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of that asset. A qualifying asset is an asset that necessarily takes one year or more to get ready for its intended use or sale. The Porsche SE Group did not capitalize any borrowing costs either in the fiscal year 2015 or in the fiscal year 2014.

Impairment test

At the end of each reporting period, the group assesses whether there is any indication of impairment. An impairment test is performed at least once a year for goodwill, capitalized costs for products under development and intangible assets with an indefinite useful life. For intangible assets with finite useful lives, property, plant and equipment as well as investments accounted for at equity an impairment test is performed when there is an indication that the asset may be impaired. With respect to the procedure for impairment testing of investments accounted for at equity, reference is made to the section "Measurement at equity" under "Consolidation principles" above.

The recoverable amount is determined in the course of impairment testing. The recoverable amount is the higher of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less any costs to sell. Costs to sell are incremental costs incurred to sell the asset or cash-generating unit. Value in use is determined using the discounted cash flow method or capitalized earnings method on the basis of the estimated future cash flows expected to arise from the continuing use of the asset and its disposal.

The recoverable amount is generally determined separately for each asset. If it is not possible to determine the recoverable amount for an individual asset because it does not generate cash inflows that are largely independent of the cash inflows from other assets, it is determined on the basis of a group of assets that constitutes a cash-generating unit.

If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognized to account for the difference. It is reviewed on an annual basis whether the reasons for any previously recognized impairment loss still exist. If such reasons longer exist, the impairments are reversed through profit or loss (with the exception of goodwill). The amount reversed cannot exceed the amount that would have been determined as the carrying amount, net of any depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

Any impairment losses or reversals of impairment losses are, where appropriate, recognized through profit or loss in the item amortization of intangible assets and depreciation of property, plant and equipment, leased assets and investment property.

Investment property

Investment property held to generate rental income is accounted for at depreciated cost. The underlying useful lives and depreciation methods used in subsequent measurement correspond to those applied for items of property, plant and equipment used by the group.

Inventories

Inventories are stated at the lower of cost or net realizable value as of the reporting date.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. In addition to directly attributable costs, the costs of conversion of the internally produced goods include an appropriate portion of incurred materials and production overheads as well as production-related depreciation and other directly attributable costs.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

If the carrying amounts are no longer realizable as of the reporting date due to a decrease in prices in the sales market, inventories are written down accordingly.

Inventories of a similar nature are generally measured using the weighted average cost method.

Financial instruments

According to IAS 39, a financial instrument is any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity. If the trade date of a financial asset differs from the settlement date, it is initially accounted for at the settlement date. Initial recognition of a financial instrument is at fair value. Transaction costs are included for financial instruments not designated as at fair value through profit or loss. Subsequent measurement of financial instruments is either at fair value or amortized cost depending on their category. Each financial instrument is allocated to a category upon initial recognition.

With respect to measurement, IAS 39 classifies financial assets in the following categories:

- Financial assets at fair value through profit or loss (FVtPL) and held for trading (HfT),
- Held-to-maturity investments (HtM),
- Available-for-sale financial assets (AfS), and
- Loans and receivables (LaR).

Financial liabilities are divided into the two categories:

- Financial liabilities at fair value through profit or loss (FVtPL) and held for trading (HfT), and
- Financial liabilities measured at amortized cost (FLAC).

Fair value corresponds to the market price provided the financial instruments measured are traded on an active market. If there is no active market for a financial instrument, fair value is calculated using appropriate valuation techniques (such as generally accepted option price models or discounting future cash flows with the market interest rate, or by referring to the most recent business transactions between knowledgeable, willing and independent business partners for one and the same financial instrument), where appropriate, checked by confirmations of banks processing the transactions. In the course of the valuation process, the necessary publicly available market data are collected and, where appropriate, updated. In particular, the assumptions underlying the fair values calculated by discounting the future cash flows are validated, if necessary. The carrying amount of current financial assets and liabilities not at fair value through profit or loss provides a reasonable approximation of their fair value.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, minus any reduction for impairment or uncollectibility, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. The amortized cost of current receivables and liabilities generally corresponds to the nominal value or settlement amount.

Financial instruments are recognized as soon as the Porsche SE Group becomes a party to the contractual provisions of the financial instrument. Financial assets are generally derecognized when the contractual right to the cash flows expires or this right is transferred to a third party. Financial liabilities are derecognized when the obligation underlying the liability has been fulfilled, cancelled or extinguished.

Non-derivative financial instruments

Financial instruments accounted for at fair value include financial instruments held for trading and financial assets classified as at fair value through profit or loss upon initial recognition. Gains and losses from subsequent measurement are recognized through profit or loss in the other financial result; interest and dividend income are recognized separately from these within financial revenue. In the Porsche SE Group, financial instruments in the category held for trading include derivative financial instruments. In the fiscal year 2015, bonds and investment fund shares were classified for the first time at fair value through profit or loss in the Porsche SE Group, provided they are managed at fair value in accordance with the internal requirements for the investment strategy and risk management.

Any financial instruments held to maturity are accounted for at amortized cost. Gains and losses from subsequent measurement are recognized in profit or loss. The Porsche SE Group did not hold any financial instruments in this category as of the reporting date.

Any available-for-sale financial instruments are measured at fair value. Non-derivative financial assets that are classified as available for sale and that cannot be allocated to any other category are included in this category. Unrealized gains and losses from subsequent measurement are recognized in equity taking into account deferred tax until the financial instruments are derecognized or there is objective evidence of impairment. Investments presented as non-current financial assets that are not accounted for at equity can also constitute available-for-sale financial instruments and are generally measured at fair value. If no active market exists and fair value cannot be reliably estimated, they are measured at cost. If there is any indication that fair value is lower, they are measured at fair value.

Loans and receivables, held-to-maturity financial instruments and financial liabilities are measured at amortized cost unless they are related to hedging instruments. As of the reporting date, they include in particular time deposits and cash and cash equivalents, asset-backed commercial papers, other financial receivables, financial guarantees, trade payables, financial liabilities and other financial liabilities.

With regard to financial guarantees, the Porsche SE Group is required to make specified payments if a debtor fails to make payment when due. Financial guarantees are presented on a net basis. The compensation paid for assumption of the liability is not recognized before it is due. It is presented as other receivables and assets or other liabilities. Liabilities are not recognized until the utilization of a financial guarantee becomes probable. No liability had to be recognized in the fiscal year 2015 or in the comparative period.

Financial assets are subject to an impairment test if there is objective evidence that the asset is permanently impaired. An impairment loss is immediately recorded as an expense.

Specific valuation allowances are recognized for individually significant receivables by applying uniform guidelines and are measured at the amount of incurred losses. Indicators of a potential impairment include delayed payments over a certain period of time, the institution of

enforcement measures, the threat of insolvency or overindebtedness, application for or the opening of insolvency proceedings or the failure of financial reorganization measures.

Bad debt allowances are generally recognized in separate allowance accounts.

An impairment test is performed on the carrying amount of available-for-sale financial assets if there is objective evidence of permanent impairment. In the case of equity instruments, evidence of impairment is considered to exist, among other things, if the fair value decreases significantly (more than 20%) below cost or the decrease in fair value is prolonged (more than 10% of the average market prices over the course of a year). Where there is evidence of impairment, the cumulative loss of available-for-sale financial instruments – measured as the difference between cost and their current fair value, less any impairment loss previously recognized on that financial instrument in the income statement – is derecognized from other comprehensive income and recognized in the income statement. Any increase in the value of debt securities at a later date is accounted for as a reversal of the impairment loss recognized in profit or loss. In the case of equity instruments, reversals of impairment losses are recognized directly in equity.

Derivative financial instruments

Derivative financial instruments are generally recognized at fair value through profit or loss and remeasured at fair value in subsequent periods.

As soon as the criteria of IAS 39 for hedge accounting are satisfied, the derivative financial instruments are designated from then on either as fair value or cash flow hedges. Otherwise, they are allocated to the category financial assets or liabilities held for trading.

A fair value hedge hedges the exposure to changes in fair value of a recognized asset, a recognized liability or an unrecognized firm commitment. Gains or losses arising from marking hedging instruments to market and the secured portion of the risk of the hedged transaction are recognized in profit or loss. If the fair value hedge ends, the adjustment of the carrying amount arising from fair value hedge accounting for financial instruments measured at amortized cost as hedged transaction is released to profit or loss over the remaining term of the hedged transaction. In the case of portfolio-based fair value hedges, any changes in fair value are accounted for in the same way as fair value hedges based on an individual contract. Any gains or losses on hedging instruments and hedged transactions or items are recognized in the income statement.

A cash flow hedge is used to hedge exposures from highly probable future cash flows. Hedges are only included in hedge accounting to the extent that they offset changes in the value of the cash flows of the hedged transaction. The ineffective portion is immediately recognized in profit or loss. When included in cash flow hedge accounting, changes in value are recorded directly in equity, taking deferred tax into account. When the hedged transaction occurs, the change in value is reclassified to profit or loss. If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognized directly in equity is reclassified to profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are presented net in the balance sheet only if the group has a present contractual right to settle net and if it intends to settle the liability net or by realizing the liability together with the asset.

Time deposits

Time deposits are cash deposits with an original term of more than three months (reference is made to the note "Adjustment or restatement of prior-year figures").

Cash and cash equivalents

Cash and cash equivalents include checks, cash on hand and cash at banks with an original term of up to three months. This item may also include cash and cash equivalents that are not freely available for use by the Porsche SE Group.

Deferred tax

Deferred tax assets are generally recognized for deductible temporary differences between the tax base and carrying amounts in the consolidated balance sheet (taking into account temporary differences arising from consolidation) as well as on unused tax losses and tax credits if it is probable that they will be used. Deferred tax liabilities have to be recorded for all temporary differences between the carrying amounts in the tax accounts and the consolidated balance sheet (temporary concept). Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures are not recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Valuation allowances are recorded on deferred tax assets whose realization in the foreseeable future is not likely. A previously unrecognized deferred tax asset is reassessed and recognized to the extent that it has become probable that future taxable profit will allow it to be realized.

Deferred tax is measured on the basis of the tax rates that apply or that are expected to apply based on the current legislation in the individual countries at the time of realization. Deferred tax is not discounted.

Deferred tax referring to items recognized directly in equity is presented in equity. Deferred tax assets and deferred tax liabilities are offset if the group entities have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be refunded by or paid to the taxation authorities. The tax rates and tax laws applied for measurement are those that are enacted or substantively enacted by the reporting date. Adequate provisions were recognized for any identifiable potential tax liabilities relating to prior periods considering a large number of factors such as findings from tax field audits, interpretations, commentaries and jurisdiction on the pertinent tax legislation as well as past experience.

Current tax relating to items recognized directly in equity is likewise recognized directly in equity.

Provisions for pensions and similar obligations

In accordance with IAS 19, the actuarial measurement of pension obligations arising from defined benefit plans is based on the projected unit credit method. This method considers not only the pension payments and the future claims known on the reporting date but also future anticipated increases in salaries and pensions. The calculation of pension obligations is based on actuarial expert opinions taking into account biometric assumptions. The interest rate used to discount provisions is determined on the basis of the return on long-term high-quality corporate bonds at the reporting date.

If pension obligations are funded by plan assets, the obligation and the assets are offset. The company uses the defined benefit obligation to measure the pension obligations and determine the pension cost. Actuarial gains and losses from the plan are recognized directly in equity, taking deferred taxes into account. Past service cost is recognized immediately in profit or loss. Service cost is presented as personnel expense while the net interest expense from additions to provisions and return on plan assets are presented in finance costs.

Other provisions

Other provisions are recognized if a past event has led to a current legal or constructive obligation to third parties which is expected to lead to a future outflow of resources that can be estimated reliably. Provisions are generally measured at the expected settlement amount taking into account all identifiable risks. The settlement amount is calculated on the basis of the best estimates and also includes estimated cost increases.

Insurance agreements are accounted for in accordance with the provisions of IFRS 4. Reinsurance acceptances are accounted for without any time delay in the year in which they arise; provisions are generally recognized based on the cedant's contractual duties. Estimation techniques based on assumptions about future changes in claims are used to calculate the claims provision.

Litigation costs relating to legal proceedings where the group is the defendant are provided for at the amount of the expected legal fees. Any obligations to pay damages or penalties are taken into account in the measurement only if the Porsche SE Group considers their occurrence to be probable.

Interest on tax liabilities is recognized separately in other provisions or other liabilities at the best estimate based on the tax liability calculated or at the amount of the payment obligation arising from the tax notices.

Non-current provisions are stated at their present value at the reporting date. The interest rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The interest expense resulting from the unwinding of the discount is presented in finance costs.



Provisions are not offset against reimbursement claims from third parties. Reimbursement claims are recognized separately in other assets if it is virtually certain that the Porsche SE Group will receive the reimbursement when it settles the obligation.

Accruals are not presented under provisions, but under trade payables or other liabilities, depending on their nature.

Liabilities

Non-current liabilities are recognized at amortized cost. Differences between their historical cost and their repayment amount are accounted for using the effective interest method. Current liabilities are recognized at their repayment or settlement value.

Government grants

Government grants for assets are deducted from the carrying amount and recognized in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge. If a claim to a government grant arises subsequently, the amount of the grant attributable to earlier periods is recognized through profit or loss. Government grants that compensate the group for expenses incurred are recognized in profit or loss in the period and in the items where the expenses to be compensated were incurred. The Porsche SE Group did not recognize any government grants in the fiscal years 2014 or 2015.

Revenue and expenses

Revenue is generally recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Revenue from the sale of products is generally not recognized until the point in time when the significant opportunities and risks associated with ownership of the goods and products being sold are transferred to the buyer, the amount of the revenue can be determined reliably and its settlement can be assumed. Revenue is reported net of sales deductions (discounts, price discounts, customer bonuses and rebates). Revenue from customer financing and financial leasing is recognized under revenue using the effective interest method. Where vehicle financing bears no interest or interest below market rates, the interest incentives granted are deducted from revenue. Revenue from operating leases is earned on a straight-line basis over the term of the lease agreement. Revenue from extended guarantees or maintenance agreements is recognized upon delivery of the goods or rendering of the services. In the event of advance payments, deferred revenue is recognized in proportion to the expected costs to be incurred based on past experience. Where there is insufficient past experience, revenue is spread over the term of the agreement on a straight-line basis. Losses are recognized for the respective agreements wherever the anticipated costs exceed deferred revenue.

Income from assets for which a group entity has a buyback obligation cannot be realized until the assets have definitely left the group. If a fixed repurchase price was agreed when the contract was concluded, the difference between the selling and repurchase price is recognized as income ratably over the term of the contract. Up until that date, the assets are recognized under inventories if the term of the agreement is short, or under leased assets in the event of long-term agreements.

Revenue is generally recorded separately for each business transaction. If two or more transactions are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole, the criteria for revenue recognition are applied to these transactions as a whole.

Construction contracts are recognized in accordance with the percentage-of-completion (PoC) method. According to this method, pro rata revenue and costs are recognized according to the stage of completion as of the reporting date. The contract revenue agreed with the customer and the expected contract costs form the basis. As a rule, the percentage of completion is calculated from the costs incurred by the reporting date as a percentage of the total expected contract costs (cost-to-cost method). In individual cases, in particular for novel and complex contracts, the percentage of completion is determined using contractually agreed milestones (milestone method). If the result of a customer-specific construction contract cannot yet be estimated reliably, income is only recognized at the amount of the contract costs incurred (zero-profit-margin method). After deducting advance payments received, parts of contracts recognized as revenue using the PoC method are accounted for under trade receivables in the balance sheet. Anticipated losses from customer-specific construction contracts are taken into account in full as an expense by impairing any assets recognized and, if necessary, recognizing provisions.

Interest income and expenses are determined using the effective interest method for financial instruments measured at amortized cost and interest-bearing securities held for sale.

Dividend income is recognized when the group's right to receive the payment is established.

Production-related expenses are recognized upon delivery or utilization of the service, while all other expenses are recognized as an expense as incurred. The same applies for development costs not eligible for recognition as part of the cost of an asset.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation to third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Porsche SE Group. A contingent liability may also be a present obligation that arises from past events but is not recognized because an outflow of resources is not probable or the amount of the obligation cannot be measured with sufficient reliability. The amount of contingent liabilities is only stated in cases where the probability of an outflow of resources is not classified as remote by management.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Contingent assets are not recognized as an asset, as this would result in the recognition of income that potentially may never be realized. If the realization of income is virtually certain, however, the asset in question is no longer regarded as a contingent asset and recognition as an asset is appropriate. An explanation is provided in the notes if an inflow of economic benefits is probable.

Significant accounting judgments and estimates

The preparation of consolidated financial statements requires certain judgments and estimates that have an effect on recognition, measurement, presentation and disclosure of assets, liabilities, income and expenses as well as contingent assets and contingent liabilities. These judgments and estimates reflect the current information available.

The main matters affected by estimates at the level of the investees and which thus influence the profit/loss attributable to the Porsche SE Group from investments accounted for at equity are the measurement of options on company shares not traded on an active market, the determination of fair values for assets and liabilities in the course of purchase price allocations for which there are no observable market values, and the impairment test of financial and non-financial assets such as goodwill, brands, recognized development costs, receivables from financial services or investments accounted for at equity. Other areas at this level that are subject to estimation uncertainties include useful lives and depreciation or amortization methods, residual values of leased assets, government grants, deferred tax assets, put options or compensation claims recognized in liabilities, the measurement of pension provisions as well as the measurement of other provisions and contingent liabilities.

Additional key sources of estimations at the level of Porsche SE in particular include the testing of the carrying amounts of investments for impairment (reference is made to note [10]), the determination of fair value for the assets and liabilities in the course of purchase price allocations for additionally purchased investments accounted for at equity (reference is made to note [4]), provisions for taxes and other provisions (reference is made to note [7] and [18] and to note [24] on litigation in particular) and contingent liabilities.

The carrying amounts of the assets and liabilities affected by estimates can be seen in the breakdowns of the individual balance sheet items.

Key sources of judgment are deciding which indicators are indicative of an impairment of associates as well as recognizing current and deferred tax assets (reference is made to notes [7] and [18]), provisions (reference is made in particular to note [24] on litigation) and contingent liabilities. At the level of the investees, further key sources of judgment include the parameters on which the measurement of options not traded on an active market are based and the recognition of provisions.

Another key source of estimates and judgment uncertainties that therefore could have a significant adverse effect on the results of operations, financial position and net assets of the Porsche SE Group is the diesel issue which came to light in September 2015 at the level of the Volkswagen Group. In addition, tax matters at Porsche SE are subject to estimation and judgment uncertainties.

Diesel issue

On 18 September 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a notice of violation that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. It has been alleged that Volkswagen had used undisclosed engine management software installed in certain four-cylinder diesel engines used in certain 2009 to 2015 model year vehicles to circumvent NO_x emissions testing regulations in the United States of America in order to comply with certification requirements. The US environmental authority of California – the California Air Resources Board (CARB) – announced its own enforcement investigation in this context. Following these announcements by EPA and CARB, authorities in various other jurisdictions worldwide commenced their own investigations.

In its ad hoc release dated 22 September 2015, the Volkswagen Group announced that there were discrepancies in relation to NO_x emissions figures in vehicles with four-cylinder type EA 189 diesel engines. Around eleven million vehicles worldwide were affected. This is attributable to the engine management software. The vehicles remain technically safe and ready to drive. Technical solutions have been prepared for the three European variants of the type EA 189 engine affected. These solutions have been approved in principle by the German Kraftfahrtbundesamt (German Federal Motor Transport Authority) for Volkswagen AG and AUDI AG. The Volkswagen Group brands SEAT and ŠKODA also received approvals in principle each from their respective type approval authorities – the Ministry of Industry in Spain and the Vehicle Certification Agency in the United Kingdom. In North America, three variants of certain four-cylinder diesel engines are affected. Due to considerably stricter NO_x limits in the USA, it is a greater technical challenge to refit the vehicles so that all applicable emissions limits can be met. The Volkswagen Group is currently in intensive discussions with the EPA and CARB regarding appropriate remedial measures.

On 2 November 2015, the EPA issued another notice of violation alleging that irregularities had also been discovered in the software installed in vehicles with type V6 3.0 I TDI diesel engines. CARB also issued a letter announcing its own enforcement investigations in this context.

After discussions with the EPA and CARB, Audi publicly announced on 23 November 2015, that it would revise the software parameters and resubmit them for approval in the USA. The technical solutions will be implemented as soon as they have been approved by the authorities. Around 113,000 vehicles from the 2009 to 2016 model years of the Audi, Volkswagen passenger cars and Porsche brands are affected in the USA and Canada.

The solutions worldwide currently cover software and in some cases hardware modifications, depending on the series, model year and country, as well as repurchases. As a result, the Volkswagen Group has recognized expenses directly related to the diesel issue totaling €16.2 billion. This was done mainly by recognizing provisions for performing measures in the field (service measures and recalls) and for repurchases of €7.8 billion as well as €7.0 billion for legal risks. Furthermore, expenses of €0.8 billion and €0.6 billion were recognized for impairment of assets and for sales programs directly related to the diesel issue respectively. Measurement of provisions takes into account the current status of discussions with the competent authorities and is based, as far as possible, on past experience and estimates that depend on the technical complexity of the remedial action involved.

The diesel issue also gives rise to considerable legal risks for the Volkswagen Group. On 4 January 2016, the U.S. Department of Justice (DoJ), on behalf of the EPA, filed a civil complaint against Volkswagen AG, AUDI AG and other companies of the Volkswagen Group. The claims asserted under civil law are founded on the alleged use of illegal (defeat device) software in violation of the American Clean Air Act. The complaint's allegations relate to both the four-cylinder and the six-cylinder diesel engines. On 12 January 2016, it was announced that CARB intends to seek civil fines for alleged violations of the California Health & Safety Code and various CARB regulations.

The allegations described are subject to extensive ongoing discussions between Volkswagen and the EPA or CARB, respectively, also including a rigorous review of relevant technical concepts. The investigations have not been completed at the present time.

Based on decisions dated 15 October 2015, the German Federal Motor Transport Authority (KBA) ordered the Volkswagen passenger cars, Volkswagen commercial vehicles and SEAT brands to recall all of the diesel vehicles that had been issued with vehicle type approval by the KBA from among the eleven million affected. The recall concerns the member states of the European Union (EU28). On 10 December 2015, a similar decision was issued regarding Audi vehicles with the EA 189 engine. The timetable and action plan forming the basis for the recall order correspond to the proposals presented in advance by Volkswagen. Depending on the technical complexity of the remedial actions, this means that Volkswagen has been recalling the affected vehicles, of which there are around 8.5 million in total in the EU28 countries, to the service workshops since January 2016. Based on current knowledge, the remedial actions differ

in scope depending on the engine variant. The technical solutions cover software and in some cases hardware modifications, depending on the series and model year. The details of the remedial actions will be agreed in close cooperation with the KBA, which must approve them in advance. Discussions are currently underway with the authorities in the other EU member states with the aim of ensuring that no legal actions above and beyond this will be taken in this connection by public authorities in the other member states. The group brands SEAT and ŠKODA also received approvals in principle each from their respective type approval authorities – the Ministry of Industry in Spain and the Vehicle Certification Agency in the United Kingdom. In some countries outside the EU – among others Switzerland, Australia and Turkey – national type approval is based on prior recognition of the EC/ECE type approval. The Volkswagen Group is also in close contact with the authorities in these countries in order to coordinate the corresponding actions.

In addition, there is an intensive exchange of information with the authorities in the USA and Canada, where Volkswagen's planned actions in relation to the four-cylinder and the six-cylinder diesel engines will also have to be approved. Due to considerably stricter NO_x limits in the USA, it is a greater technical challenge to refit the vehicles so that all applicable emissions limits can be met.

Potential consequences for Volkswagen's results of operations, financial position and net assets could emerge primarily in the following legal areas:

1. Criminal and administrative proceedings all over the world (excluding the USA/Canada)

In addition to the approval processes with the responsible registration authorities, criminal investigations/misdemeanour proceedings have been opened (for example, by the public prosecutor's office in Braunschweig, Germany) and/or administrative proceedings have been announced in some countries (for example, by the German Federal Financial Supervisory Authority (BaFin)). The public prosecutor's office in Braunschweig is investigating the core issue of the criminal investigations. Whether this will result in fines for the company, and if so what their amount might be is currently subject to estimation risks. According to Volkswagen's estimates so far, the majority of proceedings have less than a 50% probability of success.

2. Product-related lawsuits worldwide (excluding the USA/Canada)

In principle, it is possible that customers in the affected markets will file civil lawsuits against Volkswagen AG and other Volkswagen Group companies. In addition, it is possible that importers and dealers could assert claims against Volkswagen AG and other Volkswagen Group companies, e.g. through recourse claims. As well as individual lawsuits, class action lawsuits are possible in various jurisdictions (albeit not in Germany).

In this context various lawsuits are pending against Volkswagen AG and other Volkswagen Group companies at present.

Class action proceedings against Volkswagen AG and other Volkswagen Group companies are pending in various countries such as Australia, Israel, Italy, Great Britain and the Netherlands. The proceedings in the Netherlands are focused on taking evidence only. The other class action proceedings are lawsuits aimed among other things at asserting damages. The amount of these damages cannot yet be quantified due to the early stage of the proceedings. In South Korea various mass proceedings are pending (individual lawsuits in which several hundred litigants have aggregated). These lawsuits are filed to assert damages and to rescind the purchase contract including repayment of the purchase price. Volkswagen does not estimate the litigants' prospect of success to be more than 50% in any of the aforementioned proceedings aimed at asserting damages.

Furthermore, individual lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in numerous countries. In Germany and Austria, individual lawsuits in the two-digit range are pending, most of which are aimed at asserting damages or rescinding the purchase contract. According to Volkswagen's estimates so far, the litigants' prospect of success is below 50% in the vast majority of the individual lawsuits.

It is too early to estimate how many customers will take advantage of the option to file lawsuits in the future, beyond the existing lawsuits, or what their prospects of success will be. On the one hand, the final results of the external investigation by Jones Day are not yet known. On the other hand, the public prosecutors' investigations are also still ongoing.

Volkswagen is working intensively to finalize the remedial actions described above. For the 2.1 engines, implementation already started in the 4th week of January 2016.

Volkswagen is pursuing the clear aim to not adversely affect engine performance, fuel consumption and CO₂ emissions by implementing the planned measures.

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

Investors from Germany and abroad have announced that they are examining the possibility of pursuing claims for damages against Volkswagen AG due to the movements in Volkswagen AG's share price following publication of the EPA's "notices of violation". Volkswagen AG had already been served with lawsuits that in particular claim damages due to alleged misconduct in capital market communications. Partially applications were simultaneously made to instigate proceedings in accordance with the Capital Markets Model Case Act (KapMuG). Volkswagen is of the opinion that it properly complied with its capital market obligations. Therefore, no provisions have been recognized.

4. Proceedings in the USA/Canada

Following the publication of the EPA's notices of violation, Volkswagen AG and other Volkswagen Group companies have been the subject of intense scrutiny, ongoing investigations (civil and criminal), and civil litigation. Volkswagen AG and other Volkswagen Group companies have received subpoenas and inquiries from state attorneys general and other governmental authorities and are responding to such investigations and inquiries.

In addition, Volkswagen AG and other Volkswagen Group companies in the USA/Canada are facing litigation on a number of different fronts relating to the matters described in the EPA's notices of violation.

On 4 January 2016, the US Department of Justice (DoJ), Civil Division, on behalf of the EPA, commenced a civil penalty lawsuit against Volkswagen AG, AUDI AG and certain other Volkswagen Group companies. The action seeks statutory penalties under the US Clean Air Act, as well as certain injunctive relief.

On 12 January 2016, it was announced that CARB intends to seek civil fines for alleged violations of the California Health & Safety Code and various CARB regulations.

The DoJ has also opened a criminal investigation. This focuses on allegations that various federal law criminal offenses were committed.

A large number of putative class action lawsuits by affected customers and dealers have been filed in US federal courts and consolidated for pretrial coordination purposes in a federal court multidistrict litigation proceeding in the State of California. The claims primarily relate to compensation for material damage. The DoJ civil penalty lawsuit referenced above has also been consolidated for pretrial coordination purposes in this California multidistrict litigation proceeding.

Additionally, in the USA, some putative class actions have been filed; some individual customers' lawsuits have been filed; and some state or municipal claims have been filed in state courts. The attorneys general of four US states (West Virginia, Texas, New Mexico and New Jersey) have commenced litigation in state courts and allege that Volkswagen Group of America

inappropriately advertised clean diesels and that customers were misled into purchasing Volkswagen diesel vehicles as a result. The United States Federal Trade Commission (FTC) has also made similar accusations against the Volkswagen Group of America in its lawsuit from 29 March 2016.

In addition to lawsuits described above, for which provisions have been recognized, a number of lawsuits for damages have been filed on behalf of a putative class of purchasers of Volkswagen AG American Depository Receipts, alleging a suffered drop in price purportedly resulting from the matters described in the EPA's notices of violation. These lawsuits have also been consolidated in the federal multidistrict litigation proceeding in the State of California described above. Volkswagen is of the opinion that it properly complied with its capital market obligations. Therefore, no provisions have been recognized.

5. Risk assessment regarding the diesel issue

To protect against the currently known legal risks, including suitable expenses for defense and legal advice related to the diesel issue, existing information and assessments at the time indicated the need to generate provisions in the amount of €7.0 billion. The provisions recognized and the other latent legal risks are partially subject to substantial estimation risks given the complexity of the individual factors, the ongoing regulatory approval process with the authorities and the fact that the independent and exhaustive investigations have not yet been completed. In addition, negotiations are currently being held with the authorities in the USA regarding possible investments in environment projects and e-mobility. The investments are expected to amount to approximately €1.8 billion. Their content and timing have yet to be defined.

The considerable estimation risks described in connection with the diesel issue could give rise to corresponding significant effects on the Porsche SE Group. This pertains in particular to the profit/loss from investments accounted for at equity (we refer to note [4]), the carrying amount of the investment in Volkswagen AG accounted for at equity (we refer to the explanations on the impairment test performed in note [10]) as well as the subsequent effects of a change in the dividend policy of the Volkswagen AG.

Tax matters

Taxes constitute another key source of estimations and judgment. In the fiscal year 2012, a tax field audit commenced for the assessment periods 2006 to 2008. This was completed in the fiscal year 2014. In addition, a tax field audit for the assessment periods 2009 to 2013 started at the end of 2015. During the assessment periods 2006 to 2009, Porsche SE was initially the legal successor of Porsche AG and later the ultimate tax parent and thus liable for tax payments. Based on the findings of the completed tax field audit and the information available when the financial statements were authorized for issue, payments were already made and provisions recognized for these assessment periods (reference is made to notes [7] and [18]). New findings of the tax field audit for the assessment periods 2009 to 2013 could result in an increase or decrease in the tax and interest payments due or any payments already made could be partially refunded.

In the course of the contribution of the business operations in the fiscal year 2012, the tax obligations of Porsche SE and its subsidiaries for the period to until 31 July 2009 were not transferred to Volkswagen AG. Any offsetting tax relief at a later stage at the level of Porsche Holding Stuttgart GmbH, Porsche AG or the subsidiaries concerned in the Porsche AG Group cannot be recognized in the consolidated financial statements of Porsche SE, as these companies no longer belong to the group of fully consolidated subsidiaries of the Porsche SE Group in accordance with IFRS regulations. These incur instead at the level of the Volkswagen Group. In connection with the business contribution, Volkswagen AG agreed in principle to refund to Porsche SE tax benefits – for example in the form of a refund, tax reduction or tax saving, a reversal of tax liabilities or provisions or an increase in tax losses – of Porsche Holding Stuttgart GmbH, Porsche AG and its legal predecessors and subsidiaries which pertain to assessment periods up until 31 July 2009. In return, under certain circumstances Porsche SE holds Porsche Holding Stuttgart GmbH, Porsche AG and their legal predecessors harmless from tax disadvantages that exceed the obligations from periods up until and including 31 July 2009 recognized at the level of these entities. If the total tax benefits exceed the total tax disadvantages, Porsche SE has a claim against Volkswagen AG to payment of the amount by which the tax benefits exceed the tax disadvantages. The amount of tax benefits and tax disadvantages to be taken into account is regulated in the contribution agreement. According to the regulations set forth there, the obligations or risks recognized as provisions at the level of Porsche SE for some of which payment was made during the reporting period will in some cases lead to tax benefits in the Volkswagen Group that are expected to partially compensate the tax risks of Porsche SE. However, the provisions in the contribution agreement do not cover all matters and thus not all tax risks of Porsche SE from the tax field audits for the assessment periods 2006 to 2009. It will therefore not be possible to reasonably determine any potential reimbursement claim until the tax field audit has been completed for the 2009 assessment period, and accordingly no claims were recognized as assets in the consolidated financial statements. Based on the findings of the completed tax field audit for the assessment periods 2006 to 2008 and the information available for the assessment period 2009 when these consolidated financial statements were prepared, Porsche SE would have a claim for compensation in the low triple-digit million euro range. Future findings arising from the tax field audit that commenced at the end of 2015 for the assessment period 2009 may lead to an increase or decrease in the possible compensation claim.

Changes to underlying assumptions

The judgments and estimates are based on assumptions that are derived from the current information available. In particular, the circumstances given when preparing the consolidated financial statements and assumptions as to the expected future development of the global and industry environment were used to estimate the company's future business performance. Future business performance is associated with uncertainties. Factors which may cause variances from expectations at the level of Porsche SE are in particular the effects of the diesel issue, the outcome of the tax field audit for the assessment periods 2009 to 2013 and litigation. Factors which may cause variances from assumptions and estimates at the level of associates include in particular short and medium-term forecast cash flows as well as the discount rates used and expectations regarding the global and industry-specific environment as well as the assessment of legal risks.

In such cases, the assumptions, and if necessary the carrying amounts of the assets and liabilities concerned, will be adjusted accordingly. Prior to the date of authorization of the financial statements by the executive board for issue to the supervisory board, there were no indications that the carrying amounts of the assets and liabilities presented in the consolidated balance sheet would require any significant adjustment in the following reporting period. Judgments and estimates by management included assumptions relating to the development of the Volkswagen Group, macroeconomic development and the development of automotive markets that are described in the forecast report as part of Porsche SE's group management report for the 2015 reporting period.

New accounting standards

a) New or revised standards adopted for the first time in the fiscal year

The new or revised standards adopted for the first time in the fiscal year 2015 in accordance with the respective transitional provisions are presented below. None of these were early adopted on a voluntary basis.

Improvements to IFRSs (2011-2013)

The changes affect the following standards:

- Amendment to the scope of IFRS 3: IFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- Amendment to IFRS 13: Amendments regarding the applicability of the exception in IFRS 13.48.
- Amendment to IAS 40: Clarification that, when determining whether the acquisition of a property corresponds to the definition of a business combination within the scope of IFRS 3 and includes an investment property as defined by IAS 40, both standards are to be applied independently of each other (IAS 40.7-14 vs. IFRS 3).

This amendment has not had any impact on the presentation of the net assets, financial position and results of operations in Porsche SE's consolidated financial statements.

b) Standards and interpretations not applied (published but whose adoption is not yet mandatory or which are not yet applicable in the EU)

Amendments to IAS 7: Disclosures in the notes on liabilities from financing activities

At the core of the amendments made to IAS 7 are rules for additional disclosures in the notes that should allow users of financial statements to assess the changes in liabilities from an entity's financing activities. The amendments are applicable for the first time for reporting periods beginning on or after 1 January 2017. Comparative information from the prior periods does not have to be reported as part of first-time adoption. With the exception of potential additional explanations, this change will have no effects on the presentation of the group's net assets, financial position and results of operations.

Amendments to IAS 12: Recognition of deferred tax assets for unrealized losses

The amendments are intended to address various questions relating to the recognition of deferred tax assets for unrealized losses arising from changes in the fair value of debt instruments and that are recognized in other comprehensive income. The amendment is applicable for the first time for reporting periods beginning on or after 1 January 2017. Porsche

SE does not expect this change to have any material effect on the group's net assets, financial position and results of operations.

IFRS 16: Leases

The standard replaces IAS 17, SIC-15 and SIC-27. For all leases, lessees will generally have to recognize a right-of-use asset for the underlying asset and a corresponding lease liability for the payment obligations entered into. Exemptions are allowed for low-value leased assets and short-term leases. IFRS 16 is applicable for the first time for reporting periods beginning on or after 1 January 2019. The effect on the presentation of the group's net assets, financial position and results of operations is being analyzed.

Amendments to IFRS 15: Date of first-time adoption of IFRS 15

This amendment postpones the date of first-time adoption of IFRS 15 to fiscal years beginning on or after 1 January 2018. Voluntary early adoption continues to be permitted. Porsche SE does not expect this change to have any material effect on the group's net assets, financial position and results of operations.

Amendments to IFRS 15: Clarifications

The amendment clarifies the following issues in IFRS 15:

- Identification of performance obligations (distinction in the context of the contract),
- Principal/agent relationships (principles for distinguishing between principal and agent),
- Licensing (determining the type of license granted and for sales-based and usage-based royalties), and
- Transitional provisions (simplifications for retrospective application of IFRS 15).

The proposed amendments are to be applied by companies at the same time as IFRS 15. The amendment is therefore applicable for the first time for reporting periods beginning on or after 1 January 2018. Porsche SE does not expect this change to have any material effect on the group's net assets, financial position and results of operations.

Amendment to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture, and postponement of the date of first-time adoption of this amendment

This amendment removes an inconsistency existing between IFRS 10 and IAS 28. It clarifies the recognition of unrealized gains and losses from transactions between an investor and an associate or joint venture. Where the transaction relates to a business as defined by IFRS 3, the investor is required to recognize all gains and losses. Where the transaction relates only to the sale of assets that do not constitute a business, the investor has to partially recognize the gains and losses. The date of first-time adoption of this amendment has been postponed indefinitely;

early adoption on a voluntary basis is possible. This change is not expected to have any material effect on the net assets, financial position and results of operations.

In addition, the consolidated financial statements for prior years already presented new standards or amendments that have still not been applied in the fiscal year 2015. There are no changes regarding the assessment of potential effects resulting from this on future consolidated financial statements. IFRS 14, the Annual Improvements 2010-2012 and 2012-2014, the amendments to IAS 19 concerning employees, the amendments to IAS 16 and IAS 41 regarding bearer plants, the amendments to IAS 16 and IAS 38 concerning acceptable methods depreciation and amortization, the amendments to IFRS 11 regarding accounting for acquisitions of interests in joint operations, the amendment to IAS 27 concerning the user of the equity method in separate financial statements, the amendments to IAS 1 regarding the presentation of individual items as well as the structure and content of notes (Disclosure Initiative) and the amendments to IFRS 10, 12 and IAS 28 concerning consolidation exception in relation to investment entities, which are all effective for the first time in the fiscal year 2016, are not expected to have a material effect on the consolidated financial statements of Porsche SE, with the exception of the presentation of other comprehensive income attributable to associates accounted for at equity required by the amended IAS 1.

Voluntary early adoption of the amendments before they become mandatory under the transitional provisions of the IASB is not planned.

Adjustment or restatement of prior-year figures

a) Adjustment of the presentation of time deposits

In order to increase transparency, the original balance sheet item "Cash, cash equivalents and time deposits" was for the first time divided into the separate balance sheet items "Cash and cash equivalents" of €712 million (31 December 2014: €983 million; 1 January 2014: €462 million) and time deposits of €550 million (31 December 2014: €1,289 million, 1 January 2014: €2,450 million), and the presentation in the balance sheet adjusted accordingly. Cash deposits with an original term of more than three months are reported within the item "Time deposits", while the balance sheet item "Cash and cash equivalents" contains cash and cash equivalents with an original term of up to three months.

b) Restatement of the investment accounted for at equity in Volkswagen AG

Porsche SE has found that the carrying amount of the investment accounted for at equity in Volkswagen AG recognized in the past was too high. This was due to Volkswagen AG's pension provisions having been undervalued in the purchase price allocation as of 3 December 2009. In accordance with IAS 8, it was therefore necessary to retrospectively restate the carrying amount of the investments accounted for at equity and this also had an effect on other line items.

The following individual restatements were made:

€ million	Before restatement	Restatement	After restatement
1/1/2014			
Consolidated balance sheet			
Investments accounted for at equity	28,222	-315	27,907
Retained earnings	25,280	-313	24,967
Deferred tax liabilities	36	-2	34

€ million	Before restatement	Restatement	After restatement
2014			
Consolidated statement of comprehensive income			
Change in profit/loss for the year	3,028	7	3,035
Change in comprehensive income	1,088	7	1,095

Consolidated income statement			
Profit/loss before tax	3,287	7	3,294
thereof profit/loss from investments accounted for at Equity	3,434	7	3,441
Profit/loss for the year	3,028	7	3,035
thereof profit/loss attributable to shareholders of Porsche Automobil Holding SE	3,028	7	3,035
Earnings per ordinary share (basic and diluted)	9.88	0.02	9.90
Earnings per preference share (basic and diluted)	9.89	0.02	9.91

€ million	Before restatement	Restatement	After restatement
1/1/2015			
Consolidated balance sheet			
Investments accounted for at equity	27,713	-308	27,405
Retained earnings	24,303	-306	23,997
Deferred tax liabilities	38	-2	36

Notes to the consolidated income statement and consolidated statement of cash flows

[1] Other operating income

Other operating income breaks down as follows:

€ million	2015	2014
Income from reversal of provisions and accruals	7	12
Income from changes in exchange rates	0	1
Sundry other operating income	0	1
	7	14

In the reporting period, as in the prior year, income from the reversal of provisions and accruals was mainly attributable to the reversal of provisions for litigation costs.

[2] Personnel expenses

€ million	2015	2014
Wages and salaries	13	14
Social security contribution, pension and other benefit costs	2	1
	15	15
Employees (annual average)		
Salaried staff	33	35
Employees according to Sec. 314 (1) No. 4 HGB	33	35
Other	1	1
Total	34	36

[3] Other operating expenses

Other operating expenses consist of:

€ million	2015	2014
Legal and consulting fees	12	23
Other external services	9	10
Other tax	2	15
Assumption of obligations related to tax issues	0	14
Sundry other operating expenses	8	8
	31	70

Other external services principally contain expenses relating to the organization of Porsche SE's annual general meetings.

Other tax mainly relates to additions to provisions.

The line item "assumption of obligations related to tax issues" in the prior year comprises amounts from refund obligations to associates from prior periods.

Sundry other operating expenses primarily include expenses for leasing and insurance, travel expenses as well as, in the reporting period, back payments for contributions for the Chamber of Industry and Commerce (IHK).

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

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

€ million	2015	2014
Income from first-time at equity accounting of newly acquired shares	448	0
Profit/loss from ongoing equity accounting before purchase price allocations	-561	3,458
Effects from purchase price allocations	-84	-81
Profit/loss from ongoing equity accounting	-197	3,377
Effects from dilution of share in capital	-239	64 ¹
	-436	3,441¹

Profit/loss from investments accounted for at equity relates almost exclusively to the earnings contribution from the investment in Volkswagen AG.

Income from first-time at equity accounting of newly acquired shares results from the difference between the pro rata revalued equity of the Volkswagen Group, taking into account effects from the purchase price allocation performed for this purpose, and the cost of the 1.5% of the ordinary shares in Volkswagen AG which Porsche SE acquired from the Suzuki Motor Corporation at the end of September 2015. The price was based on the stock market price, which as of the acquisition date was heavily influenced by the uncertainties regarding the financial effects of the diesel issue in the Volkswagen Group. The income is mainly attributable to the fact that the fundamental data for the Volkswagen Group used, for example, particularly in the valuation of the brands and the investments accounted for at equity when calculating the pro rata revalued equity of the Volkswagen Group, are not fully reflected in the acquisition costs. In addition, negative effects on the stock market price and therefore on the purchase price arising

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

from the diesel issue did not have to be accounted for to the same extent in the purchase price allocation. The risk provisioning totaling €16.2 billion recognized as of 31 December 2015 at the level of the Volkswagen Group (we refer to the explanations of the diesel issue in the section “Significant accounting judgments and estimates”) were taken into account almost entirely as hidden liabilities in the purchase price allocation as they were considered to have the character of an adjusting event from the perspective of the acquisition date.

The brands were valued using the relief from royalty method. When applying the relief from royalty method, the fair value of the brands was calculated using a fictitious royalty as a percentage of revenue relevant for the brand based on the current planning of the Volkswagen Group. The royalty rate was calculated using internal studies and data, taking into consideration the expected effects of the diesel issue; a sustainable growth rate of 1.0% was assumed for the calculation. The investments accounted for at equity were mainly valued on the basis of the discounted cash flow method (“DCF”). The current planning of the Volkswagen Group as well as a sustainable growth rate of 1.0% was likewise used as a basis for this. The valuation of the brands and of the investments accounted for at equity was based on country- and asset-specific after-tax cost of capital rates in the range of between 6.1% and 12.4%.

As the purchase price allocation had not yet been completed when the consolidated financial statements were being prepared, the income recognized is to be regarded as provisional. In particular, additional findings at the level of the Volkswagen Group relating to the risks from the diesel issue may lead to an adjustment in the future.

The effects from the dilution of the share in capital in the reporting period of minus €239 million resulted from the issue of preference shares in connection with the mandatory convertible bonds issued by Volkswagen AG. The effects comprise the difference between the reclassification of other changes in equity formally recognized in other comprehensive income at the level of the investment accounted for at equity (reference is made to the explanations in note [16]) and the proportionate disposal of the carrying amount at equity totaling minus €260 million as well as the proportionate derecognition of reclassifiable other comprehensive income of €21 million.

The effects from dilution of the share in capital of €64 million¹ in the comparative period are attributable to the capital increase by issue of preference shares in return for a contribution in cash approved at the level of Volkswagen AG on 3 July 2014, in which Porsche SE did not take part. The effects comprise the difference between the proportionate capital increase at the level of the Volkswagen Group and the proportionate disposal of the carrying amount at equity of €38 million¹ as well as the proportionate derecognition of reclassifiable other comprehensive income of €26 million.

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section “Adjustment or restatement of prior-year figures”.

[5] Finance costs

€ million	2015	2014
Interest expenses from loans issued by associates	21	21
Interest on tax back payments	20	61
Other interest and similar expenses	2	5
	43	87

The interest on tax back payments includes payments as well as additions to provisions for expected interest on tax back payments (reference is made to the explanation of tax matters in the section “Significant accounting judgments and estimates” and note [7]).

Finance costs contain interest expenses of €23 million (prior year: €26 million) from financial instruments that are not measured at fair value through profit or loss.

[6] Other financial result

€ million	2015	2014
Income from tax interest	59	0
Expenses from bonds and investment fund shares	-1	0
Income from derivative financial instruments	6	0
Expenses from derivative financial instruments	-9	0
Other interest and similar income	7	11
	62	11

Income from tax interest relates to refunds of tax interest paid in the past and interest received on tax refunds.

Financial revenue contains interest income of €7 million (prior year: €11 million) from financial instruments that are not measured at fair value through profit or loss.

[7] Income tax

The income tax expense (+) and income (–) disclosed breaks down into:

€ million	2015	2014
Current tax income/expense	– 169	255
thereof income/expenses relating to other periods	– 169	255
Deferred tax income/expense	– 14	4
Income tax	– 183	259

All income taxes were incurred in Germany.

The tax field audit for the assessment periods 2006 to 2008 was completed in the fiscal year 2014. The tax field audit for the assessment periods 2009 to 2013 began in the reporting period.

In the fiscal year 2014 and at the beginning of the fiscal year 2015, Porsche SE made payments in connection with tax notices for the 2009 assessment period in order to avoid interest on tax back payments. These notices diverged in some respects from the Porsche SE's legal opinion on taxability and were therefore appealed. As a result of a decision of the tax authorities regarding the appeal, Porsche SE received amended tax notices for the assessment period 2009 at the end of the fiscal year 2015. These resulted in a tax refund of €221 million plus interest of €59 million. The assessment notices are subject to subsequent review. Furthermore, there were expenses in connection with previous assessment periods of €52 million in the fiscal year 2015.

The overall income tax rate for the German entities was 30.5% (prior year: 30.5%).

Previously unused tax losses for which no deferred tax assets were recognized amounted to €1,891 million (prior year: €2,337¹ million) and are unforfeitable.

Deductible temporary differences on which no deferred tax was recognized amount to €21 million in the reporting period (prior year: €23 million).

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

The following reconciliation shows the differences between the expected income tax expense calculated at the theoretical group tax rate of 30.5% (prior year: 30.5%) and the reported income tax expense:

€ million	2015	2014
Profit/loss before tax	- 456	3,294 ¹
Group tax rate	30.5%	30.5%
Expected income tax expense	- 139	1,005¹
Tax rate related differences	0	1
Difference in tax base	98	- 1,018
Recognition and measurement of deferred tax	27	16 ¹
Tax relating to other periods	- 169	255
Reported income tax expense	- 183	259

The item "Difference in tax base" mainly relates to the tax exemption or non-deductibility of profit/loss from investments accounted for at equity and the non-deductibility of interest on tax back payments and the additions to the provision for interest on tax back payments. The reconciliation item "Recognition and measurement of deferred tax" mainly contains unrecognized deferred tax, and reversed deferred tax assets on unused tax losses of €25 million (prior year: unrecognized deferred tax, and reversed deferred tax assets on unused tax losses of €19¹ million). The effects relating to other periods stem from the described tax payments for prior periods received in the fiscal year 2015 as well as the additions to provisions made in connection with tax notices issued for the 2009 assessment period (prior year: tax back payments made for prior years and additions to provisions undertaken for this purpose).

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

The deferred tax assets and liabilities break down by item in the balance sheet as follows:

€ million	Deferred tax assets		Deferred tax liabilities	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Investments accounted for at equity	0	0	53	89 ¹
Other receivables and assets	0	0	1	1
Unused tax losses	29	51 ¹	0	0
Provisions for pensions and similar obligations	3	3	0	0
Other provisions	0	0	0	0
Other liabilities	0	0	0	0
Valuation allowances on deferred tax assets	0	0	0	0
Reversal of an impairment loss on deferred tax assets	0	0	0	0
Gross value	32	54	54	90 ¹
Offsetting	-32	-54	-32	-54
Balance according to consolidated balance sheet	0	0	22	36

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

With the exception of the deferred taxes on pension provisions, all the changes presented in deferred tax assets and liabilities are recognized in profit or loss.

[8] Earnings per share

		2015	2014
Profit/loss for the year	€ million	-273	3,035 ¹
Thereof profit/loss attributable to shareholders of Porsche SE	€ million	-273	3,035 ¹
Profit/loss attributable to ordinary shares (basic)	€ million	-137.0	1,517.0 ¹
Profit/loss attributable to preference shares (basic)	€ million	-136.0	1,518.0 ¹
Profit/loss attributable to ordinary shares (diluted)	€ million	-137.0	1,517.0 ¹
Profit/loss attributable to preference shares (diluted)	€ million	-136.0	1,518.0 ¹
Average number of ordinary shares outstanding	Number	153,125,000	153,125,000
Average number of preference shares outstanding	Number	153,125,000	153,125,000
Earnings per ordinary share (basic)	€	-0.90	9.90 ¹
Earnings per preference share (basic)	€	-0.89	9.91 ¹
Earnings per ordinary share (diluted)	€	-0.90	9.90 ¹
Earnings per preference share (diluted)	€	-0.89	9.91 ¹

Earnings per share are calculated by dividing the profit or loss attributable to the shareholders of Porsche SE by the total average number of shares outstanding in the reporting period. The additional dividend of 0.6 cents per share to which the preference shares are entitled was deducted when calculating earnings per share for ordinary shares. This gave rise to the difference in earnings per share between ordinary and preference shares.

There were no dilutive effects.

[9] Notes to the consolidated statement of cash flows

The statement of cash flows shows how the cash funds of the Porsche SE Group have changed during the reporting year as a result of cash inflows and outflows. For this purpose, the cash flows in the statement of cash flows are categorized by operating activities, investing activities (including investments in securities and time deposits), and financing activities. Cash inflows and outflows from investing and financing activities are presented using the direct method.

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

Cash inflows and outflows from investing activities relate to payments for the acquisition of investments in associates and to changes in investments in time deposits and securities.

The cash outflow from financing activities concerns cash outflows from dividend payments.

In contrast, the cash inflow from operating activities is derived indirectly, starting from profit/loss for the year. Therefore, all non-cash expenses and income – mainly changes in provisions and non-cash income as well as the profit/loss from investments accounted for at equity contained in non-cash income and expenses – are eliminated from profit/loss for the year and adjusted for changes in operating assets and liabilities. Cash inflows from dividends are also a component of the cash inflow from operating activities.

The cash inflow from operating activities includes:

€ million	2015	2014
Interest paid	-22	-24
Interest received	5	7

Cash funds according to the statement of cash flows comprise cash and cash equivalents with an original term of up to three months and correspond to the cash and cash equivalents presented in the balance sheet.

Notes to the consolidated balance sheet

[10] Investments accounted for at equity

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

At the end of September 2015, Porsche SE reached an agreement with Suzuki Motor Corporation, Shizuoka, Japan, to acquire a 1.5% stake in the ordinary shares of Volkswagen AG in an off-market transaction. This increased Porsche SE's shareholding in the ordinary share capital of Volkswagen AG from 50.7% to 52.2%. The share held in the subscribed capital of Volkswagen AG increased to 32.4% as of the date of acquisition. Due to the issue of preference shares until 9 November 2015 in connection with the mandatory convertible bonds issued by Volkswagen AG, Porsche SE's share in the subscribed capital of Volkswagen AG decreased to 30.8%. This dilution decreased the carrying amount of the investment accounted for at equity by €1,339 million. The countereffect from the capital increase was recognized in other comprehensive income in earlier reporting periods and reclassified to profit/loss from investments accounted for at equity in the fiscal year 2015 (reference is made to note [16]).

On 21 February 2014, Volkswagen AG announced a voluntary public offer to the shareholders of Scania Aktiebolag ("Scania") to tender all shares in Scania at a price of SEK 200 in cash per share, regardless of share class. Volkswagen AG declared on 13 May 2014 that the offer will be executed. Volkswagen initiated a squeeze-out procedure with respect to the Scania shares not sold in the offer. The effect resulting at the level of the Volkswagen Group, which had to be recognized directly in equity, led to a decrease of €1,471 million in the investments accounted for at equity at the level of Porsche SE, which was likewise recognized directly in equity. For the purpose of partial refinancing, Volkswagen AG resolved on 3 June 2014 to perform 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, Porsche SE's share in capital of Volkswagen AG decreased from 32.2% to 31.5%. This dilution increased the carrying amount of the investment accounted for at equity by €38 million¹.

In October 2014, Porsche SE prematurely terminated the credit facility previously in place with a term until 30 November 2014 and concluded a new credit facility with the same volume of €1,000 million and a term of five years. The commitment fee is payable on a quarterly basis and was reduced considerably through the refinancing. If the credit facility is drawn, Volkswagen AG ordinary shares worth 150% of the amount drawn must be provided as collateral. No other financial covenants have to be complied with.

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

The clauses attached to the credit facility previously in place stipulated that 70 million of the ordinary shares held by Porsche SE in Volkswagen AG had been pledged as collateral for an unused revolving line of credit and for any liabilities to banks recognized as a result of the utilization of the credit line until they are settled or otherwise cancelled. The main receivable of the syndicate of banks, which is secured by first-rank security, is not effective at present as the line of credit has not been utilized. The lien secured the repayment claims of any potential future use by the company of the revolving line of credit. Porsche SE could still exercise its voting rights and was also entitled to dividends from the ordinary shares subject to the creditors' right to issue instructions otherwise in restrictively defined, exceptional cases. All of the pledged ordinary shares could not be sold without the prior written approval of a trustee of the collateral before the liabilities with first-rank security are repaid or the corresponding loan commitments are cancelled. However, Porsche SE was entitled to obtain the approval of the trustee of the collateral provided the proceeds from the sale are used to repay the line of credit or reduce the loan commitments and all shares in Volkswagen AG not pledged as collateral have or had been sold previously or concurrently. In addition, Porsche SE could sell subscription rights associated with the shares.

An impairment test for the investment in Volkswagen AG was performed by determining the value in use on the basis of a discounted cash flow method, as the stock market capitalization of the investment as of the reporting date was below the carrying amount of the investment accounted for at equity in the consolidated financial statements of Porsche SE.

The most recent five-year plan (prior year: five-year plan) approved by the board of management of Volkswagen AG was used as a basis for determining the value in use. Cash outflows from the risk provisioning recognized in the fiscal year 2015 at the level of the Volkswagen Group for the effects of the diesel issue, primarily for pending technical modifications, repurchases, customer-related measures as well as legal risks, totaling €16.2 billion were taken into account. In addition, the extent to which the diesel issue could negatively impact the operating business of the individual Volkswagen Group brands was estimated. In deriving the cash flows for the purpose of this estimate, both negative effects (primarily as a result of volume decreases, additional sales measures, potentially increased refinancing costs) as well as possible relief from effects as a result of countermeasures (primarily optimizations in direct and indirect costs, e.g., by reducing the number of variants and optimizing product content) were considered. It was assumed that the diesel issue would have a negative effect on the operating result of the Volkswagen Group only until roughly the middle of the five-year period.

The overall development of the operating result assumed for the fiscal year 2016 in the impairment test corresponds approximately to the lower limit specified by Volkswagen in its forecast report. This lower limit is characterized by a fall in revenue of up to 5% compared to the fiscal year 2015 and an operating return on sales of 5%. With regard to the entire five-year period, the assumed average annual revenue growth is in the low single-digit percentage range.

The assumed revenue growth is based on the expectation that the moderately positive growth of the global economy will continue in the coming years. The growth forecast for 2016 is unchanged compared to 2015, but continues to be negatively impacted by geopolitical tension and conflicts. The highest growth is anticipated in the emerging economies of Asia. As regards the automobile markets, growth is expected to vary between the various regions. On the basis of an expanded and modernized model portfolio, the Volkswagen Group is generally in a good position compared to the competition. Moderate gains in market share are therefore expected during the planning period. The Volkswagen Group is also preparing for the major topics of the future such as new drive technologies, digitization and networking of product and production, in particular as part of the “Future Tracks” future and efficiency program launched in 2014.

In the planning period, planned investing activities in the automotive division will increase moderately compared to the fiscal year 2015 (after adjusting for divestitures) and will focus in particular on modernizing and expanding the product portfolio, developing alternative drives, increasing capacity and the continued roll-out and further development of the modular toolkits. These investments create the prerequisites for the Volkswagen Group’s profitable and sustainable growth.

As regards operating return on sales, Porsche SE assumes an increase over the course of the planning years which in the fiscal year 2020 will result in a figure just under the sustainable return on sales before tax of at least 8% targeted by Volkswagen Group. Far-reaching measures geared to achieving this target have already been initiated within the Volkswagen Group. This relates in particular to efficiency increases from measures in the “Future Tracks” program. Further synergy effects in production are expected as a result of the systematic further development of the modular toolkit strategy. It is planned to leverage these synergies not only between the models of a series but also across model series. In addition, the modular toolkit strategy will help improve capacity utilization at the production plants. Close collaboration between the brands on the development of new technologies will also lead to more efficient use of resources.

A growth rate of 1% (prior year: 1%) was used to extrapolate the cash flow beyond the detailed planning phase. The sustainable operating return on sales was therefore determined taking into account the operating returns on sales generated in the fiscal years 2012-2015 (before special items). A weighted average cost of capital of 7.3% (prior year: 6.2%) for the investment in Volkswagen AG was used to discount cash flows. This was derived from a peer group and therefore reflects a return on capital that is customary for the industry and commensurate with the risk involved.

The impairment test included a sensitivity analysis of the critical assumptions. This involved initially analyzing the extent to which the effects of the diesel issue that exceed the scope assumed in the estimate described above might lead to an impairment of the investment.

To this end, three different hypothetical scenarios were considered. The first scenario involves doubling the period in which the diesel issue has a negative effect on the operating result of Volkswagen AG and examining this. The second scenario assumes that no offsetting countermeasures are implemented. In the third scenario, the average estimates of analysts of the Volkswagen share regarding the risk provisioning in connection with the diesel issue were used instead of the risk provisioning recognized by Volkswagen AG in this connection. In addition, an analysis was performed to determine the extent to which an isolated 20% reduction in the sustainable operating return on sales, an isolated reduction of the growth rate to 0% or an isolated 20% increase in the average weighted cost of capital would lead to an impairment of the investment in Volkswagen AG.

The value in use determined in the impairment test is significantly higher than the carrying amount of the investment in Volkswagen AG. The sensitivity analysis also yielded a value in use that was considerably higher than the carrying amount in all three scenarios considered. As a result, there was no need to record an impairment loss as of 31 December 2015.

[11] Non-current and current other receivables and assets

€ million	31/12/2015	31/12/2014
Sundry other receivables and assets	8	11
	8	11
thereof non-current	2	2
thereof current	6	9

Valuation allowances are recognized to take account of any default risks. The maximum default risk corresponds to the carrying amounts of the other receivables and assets. The current other receivables and assets are non-interest-bearing.

The carrying amount of other receivables and assets comprises financial receivables with a carrying amount of €5 million (prior year: €7 million) and other non-financial receivables and assets with a carrying amount of €3 million (prior year: €4 million). The non-financial other receivables and assets mainly contain interest claims. The non-financial other receivables and assets contain derivative financial instruments whose carrying amount is immaterial as of the reporting date.

[12] Income tax receivables and income tax liabilities

Income tax receivables mainly comprise tax refund claims for tax on investment income. The decrease in income tax receivables as of 31 December 2015 compared to 31 December 2014 is attributable in particular to the refunds of tax on investment income of €140 million in connection with the assessment for the fiscal year 2013. The income tax liabilities in the comparative period related to trade tax for the 2009 assessment period.

[13] Securities

Securities consist of:

€ million	31/12/2015	31/12/2014
Bonds	192	0
Asset-backed commercial papers	550	295
	742	295

For the bonds, the option for accounting for financial instruments at fair value through profit or loss is exercised. This item includes bonds of €9 million (prior year: €0 million) that were issued by an associate. Collateral has been provided for obligations arising from derivatives transactions of €4 million (prior year: €0 million).

[14] Time deposits

Time deposits include cash deposits with an original residual term of more than three months. An amount of €100 million (prior year: €0 million) of the time deposits is invested at an associate as of the reporting date. The maximum default risk corresponds to the carrying amount.

[15] Cash and cash equivalents

Cash and cash equivalents include cash and cash equivalents with an original term of up to three months in different currencies. The maximum default risk corresponds to the carrying amount.

[16] Equity

The development of equity is presented in the Porsche SE Group's consolidated statement of changes in equity and in the consolidated statement of comprehensive income.

Subscribed capital

Unchanged from the figure at the end of the prior year, Porsche SE's subscribed capital totals €306.25 million and continues to be divided into 153,125,000 ordinary shares and 153,125,000 non-voting preference shares which have been fully paid in. Each share represents a €1 notional value of the subscribed capital. The preference shares carry an additional dividend of 0.6 cents per share in the event of there being net profit available for distribution and a corresponding resolution on a distribution.

Capital reserves

The capital reserves contain additions from share premiums reduced by transaction costs incurred.

Retained earnings

The retained earnings include the reserve for investments accounted for at equity and the reserve for accumulated profits. Expenses and income from investments accounted for at equity recognized directly in equity are presented in the separate reserve for investments accounted for at equity. Due to the dilution of Porsche SE's share in capital of Volkswagen AG, reclassifiable after-tax income and expenses previously recognized in equity totaling €21 million (prior year: €26 million) were reclassified to profit or loss in the fiscal year 2015 (reference is made to note [4]). In addition, non-reclassifiable expenses of €181 million (prior year: €49 million) were transferred to retained earnings as a result of the dilution; the corresponding income from deferred taxes amounts to €53 million (prior year: €14 million).

The reserve for accumulated profits includes the profits of Porsche SE and its consolidated subsidiaries earned in prior years and the reporting period that have not yet been distributed. In addition, this item includes any reclassified revaluation reserves of deconsolidated subsidiaries, non-reclassifiable expenses and income reclassified due to dilution of the share in capital of associates, and the reserve for actuarial gains and losses from pensions taking into account the allocable deferred tax.

As of 31 December 2015, actuarial gains and losses from pensions came to €11 million (31 December 2014: €11 million); the allocable deferred tax came to €3 million as of 31 December 2015 (31 December 2014: €3 million).

The reclassification through profit or loss as a result of the dilution of the share in capital of investments accounted for at equity presented in the consolidated statement of changes in equity in the reporting period includes the amount of €1,079 million reclassified through profit or loss from capital increases in the past at the level of the Volkswagen Group, which resulted in a dilution of the Porsche SE's share in the capital of Volkswagen AG.

Other changes in equity at the level of investments accounted for at equity in the consolidated statement of changes in equity contain in particular amounts that did not lead to a change in control in the consolidated financial statements of associates and therefore had to be recognized directly in equity at this level; in the comparative period, the proportionate changes in the non-controlling interests within the Volkswagen Group attributable to Porsche SE of minus €1,471 million were recognized here (we refer to the explanations in note [10]). In addition, other changes in equity of the Volkswagen Group of €21 million that are not part of total comprehensive income were reported in this item in the comparative period.

Of the net profit for the year of €871 million (prior year: €193 million) reported in the separate financial statements of Porsche SE as of 31 December 2015, €435 million (prior year: withdrawals from retained earnings of €422 million) has been transferred to retained earnings, leaving a net profit available for distribution of €436 million (prior year: €615 million). The executive board proposes a resolution for the distribution of a dividend of €1.004 per ordinary share and €1.010 per preference share, i.e., a total distribution of €308 million for the fiscal year 2015. For the fiscal year 2014, the dividend had been €2.004 per ordinary share and €2.010 per preference share.

The reclassifiable expenses and income recognized directly in equity which arose from investments accounted for at equity include the following: income before tax from currency translation of €924 million (prior year: €846 million), expenses before tax from marking securities to market of €6 million (prior year: income of €412 million), expenses before tax from cash flow hedges of €1,660 million (prior year: €752 million), income after tax recognized directly in equity arising from investments accounted for at equity of €781 million (prior year: €461 million) and tax income of €484 million (prior year: €198 million). In the fiscal year 2015, expenses recognized directly in equity of €8 million (prior year: income of €30 million) were released to the income statement; the corresponding income from tax amounts to €29 million (prior year: expense of €4 million). A pre-tax expense of €3,250 million (prior year: €4,234 million) was recognized in equity as of the reporting date for the non-reclassifiable actuarial gains and losses from pensions; the corresponding income from tax amounts to €934 million as of the reporting date (prior year: €1,249 million).

Capital management

The target of capital management at Porsche SE is the continuous increase in enterprise value, securing its liquidity and a return on investment that is commensurate with the risk involved. These goals aim to sustainably protect the interests of the shareholders and employees and other stakeholders. By means of a systematic investment and financial management system, Porsche SE continually ensures that costs of capital as well as capital structure are optimized considering its function as a holding company.

The Porsche SE Group's total capital, defined for capital management purposes as the sum of equity and financial liabilities, is as follows as of the reporting date:

€ million	31/12/2015	31/12/2014
Equity	27,112	29,187 ¹
Share of total capital	99%	99%
Non-current financial liabilities	300	300
Total financial liabilities	300	300
Share of total capital	1%	1%
Total capital	27,412	29,487¹

¹ Retrospective restatement of the accounting for the Volkswagen Group at equity in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

[17] Provisions for pensions and similar obligations

The Porsche SE Group provides both defined contribution and defined benefit plans.

In the case of defined contribution plans, the company makes contributions to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the company. Contributions are recognized as expenses of the period concerned and were immaterial.

The Porsche SE Group's pension plans are unfunded defined benefit plans. The obligations for defined benefit plans are measured using the projected unit credit method in accordance with IAS 19. The defined benefit obligations are recognized at the present value of vested benefits as of the measurement date taking probable future increases in pensions and salaries into account. The defined benefit obligation for active employees increases annually by the interest cost plus the present value of the new benefit entitlements earned in the current period. Actuarial gains or losses result from changes in the composition of the plan and deviations of actual parameters (for example, increases in income and pensions or changes in interest rates) compared to the assumptions made in the valuation.

Provisions for pensions and similar obligations are recognized for benefits in the form of retirement, invalidity and dependents' benefits payable under pension plans. The benefits generally depend on the length of service, remuneration and working hours arrangements of the employees. The direct and indirect obligations include both current pension obligations and future pension and retirement benefit obligations. In addition, personal retirement capital is accumulated in Germany by way of employee contributions to Porsche VarioRente.

Actuarial assumptions

The defined benefit obligations are calculated using actuarial methods. These include assumptions concerning future wage and salary developments and pension trends. The measurement is based on the following assumptions:

%	Germany	
	2015	2014
Discount rate	2.50	2.25
Increase in wages and salaries	3.00	3.00
Career progress	0.50	0.50
Increase in pensions	1.80	1.80

Changes in the present value of pension obligations:

€ million	2015	2014
As of 1 January	20	12
Current service cost	2	1
Interest expenses	1	1
Actuarial gains (-) and losses (+) arising from changes in demographic assumptions	0	0
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	-1	4
Actuarial gains (-) and losses (+) arising from experience adjustments	1	3
Benefits paid	0	0
Past service cost	0	0
Other changes	1	-1
As of 31 December	24	20

The amounts recognized through profit or loss relate to current service cost of €2 million (prior year: €1 million) as well as interest expenses of €1 million (prior year: €1 million).

The present value of pension obligations funded by provisions corresponds to the net obligation and thus also the amounts recognized as liabilities.

An increase in the discount rate of 50 base points would lead to a drop of €3 million (prior year: €1 million) in the present value of pension obligations. A decrease in the discount rate of 50 base points would lead to an increase of €2 million (prior year: €3 million) in the present value of pension obligations. A comparable increase or decrease in other actuarial assumptions would not lead to an adjustment of more than €1 million (prior year: no adjustment in the region of millions of euros).

The weighted average term of pension obligations is 20 years (prior year: 19 years). The cash outflow of pension provisions is expected to amount to €2 million (prior year: €2 million) in a period of between one and five years and €22 million (prior year: €18 million) in a period of more than five years.

[18] Non-current and current income tax provisions and other provisions

€ million	31/12/2015		31/12/2014	
		thereof due within one year		thereof due within one year
Income tax provisions	49	49	336	336
Other provisions	101	88	236	221
Provisions for personnel costs	5	4	9	7
Provisions for costs of litigation	23	11	31	18
Provisions for interest on tax back payments	13	13	119	119
Sundry other provisions	60	60	77	77

The decrease in income tax provisions and provisions for interest on tax back payments as of 31 December 2015 compared to 31 December 2014 is attributable to payments made in connection with the completed tax field audit for the assessment periods 2006 to 2008 and other past assessment periods (reference is made to the section "Significant accounting judgments and estimates" and note [7]).

Provisions for personnel costs are recognized for bonuses, long-service awards and similar obligations.

The amount reported for provisions for costs of litigation represents the expected settlement amount for all litigation in which Porsche SE is involved directly or indirectly. They have been set up at the amount of the respective expected legal fees (reference is made to the description of the litigation underlying these provisions in note [24]).

Sundry other provisions mainly comprise provisions for other tax.

86% of the other provisions are expected to result in cash outflow in the following year and 14% in between one and five years.

Other provisions developed as follows:

€ million	As of 1/1/2015	Additions	Utilization	Reversal	As of 31/12/2015
Provisions for personnel costs	9	5	6	3	5
Provisions for costs of litigation	31	3	7	4	23
Provisions for interest on tax back payments	119	13	119	0	13
Sundry other provisions	77	9	26	0	60
	236	30	158	7	101

The effects of unwinding the discount on provisions were immaterial in the fiscal year 2015 and in the fiscal year 2014.

[19] Trade payables

The trade payables disclosed, amounting to €1 million (prior year: €3 million), are mainly liabilities for legal and consulting services.

[20] Financial liabilities

Financial liabilities are due entirely to associates and are recognized at amortized cost.

[21] Non-current and current other liabilities

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

€ million	31/12/2015	31/12/2014
Liabilities to associates	15	23
Sundry other liabilities	2	5
	17	28
thereof non-current	0	0
thereof current	17	28

Of the carrying amount totaling €17 million (prior year: €28 million) an amount of €17 million (prior year: €26 million) relates to other financial liabilities. The other financial liabilities contain derivative financial instruments whose carrying amount is immaterial as of the reporting date.

Other notes

[22] Other financial obligations

Minimum lease payments from non-cancellable operating leases of €1 million (prior year: €0 million) will be incurred in the Porsche SE Group in the coming years.

[23] Financial risk management and financial instruments

1 Financial risk management principles

The principles and responsibilities for managing the risks are generally defined by the executive board and monitored by the supervisory board. The same applies in particular to risks that could arise from financial instruments. As part of operational risk management, processes were defined in particular to govern ongoing monitoring of the liquidity situation of the Porsche SE Group, of the enterprise value of Volkswagen AG, of the cash investments and of the developments on the capital markets. This also includes monitoring any concentrations of risk within the Porsche SE Group. The risks are identified, evaluated, controlled, monitored and documented using suitable information systems. The guidelines and the supporting systems are checked regularly and brought into line with current market development.

For further details on risk management and on risks relating to financial instruments, reference is made to the “Opportunities and risks of future development” section in Porsche SE’s group management report.

2 Credit and default risk

The credit and default risk arising from financial assets involves the risk of default by counterparties, and therefore comprises at a maximum the amount of the positive fair values of claims against them. In addition, there is a credit and default risk at the amount of financial guarantees issued. The default risk of financial assets is generally taken into account through adequate valuation allowances considering collateral that has already been provided. Various measures are taken into account as needed to reduce the default risk for non-derivative financial instruments, such as monitoring the credit rating of counterparties or requesting hold harmless agreements. Moreover, cash and cash equivalents, time deposits and securities are invested with different counterparties in order to spread risk. The contracting partners for monetary investments, capital investments and, if necessary, derivative financial instruments are domestic and international counterparties.

There are no significant concentrations of risk that are not evident from the notes to the financial statements and management report.

The table below shows the credit and default risk of financial assets by gross carrying amount:

€ million	Neither past due nor impaired
31/12/2015	
Other financial receivables	5
Securities	742
Time deposits	550
Cash and cash equivalents	712
	2,009
31/12/2014	
Other financial receivables	7
Securities	295
Time deposits	1,289 ¹
Cash and cash equivalents	983 ¹
	2,574

¹ Retrospective adjustment of the disclosure for time deposits in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

There are no past due or impaired financial assets in the Porsche SE Group.

The credit ratings of the gross carrying amounts of financial assets that are neither past due nor impaired were as follows:

€ million	Risk class 1	Risk class 2	Total
31/12/2015			
Other financial receivables	5	0	5
Securities	742	0	742
Time deposits	550	0	550
Cash and cash equivalents	712	0	712
	2,009	0	2,009
31/12/2014			
Other financial receivables	7	0	7
Securities	295	0	295
Time deposits	1,289 ¹	0	1,289 ¹
Cash and cash equivalents	983 ¹	0	983 ¹
	2,574	0	2,574

¹ Retrospective adjustment of the disclosure for time deposits in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

The receivables rated as good are allocated to risk class 1. Receivables from customers whose credit rating is not good, but have not yet defaulted, are allocated to risk class 2. Allocation to the risk classes is based on external ratings.

3 Liquidity risk

The solvency and liquidity of the Porsche SE Group is continuously monitored by means of liquidity planning. Solvency and liquidity are additionally secured by a cash liquidity reserve and a guaranteed credit line. Porsche SE's line of credit amounts to €1,000 million as of the reporting date (prior year: €1,000 million), and had not been drawn down either as of the end of the reporting period or as of the cut-off date in the comparative period. Reference is also made to explanations on the management of liquidity risks at the level of the Porsche SE Group presented in the risk report as part of the group management report.

The following overview shows the contractual undiscounted cash outflows from financial liabilities and financial guarantees:

€ million	Remaining contractual maturities		
	within 1 year	in 1 to 5 years	Total
31/12/2015			
Financial liabilities	21	313	334
Trade payables	1	0	1
Other financial liabilities	14	0	14
Derivative financial instruments	19	0	19
Financial guarantees	1,351	0	1,351
	1,406	313	1,719
31/12/2014			
Financial liabilities	21	333	354
Trade payables	3	0	3
Other financial liabilities	26	0	26
Financial guarantees	1,351	0	1,351
	1,401	333	1,734

The financial guarantees were issued for financial liabilities of the Volkswagen Group. Volkswagen AG has issued a hold harmless agreement for 100% of these financial guarantees.

There are no significant concentrations of risk that are not evident from the notes to the financial statements and management report.

4 Market risk

In Porsche SE, market risk stems in particular from interest rate and stock price risk. Interest rate risk essentially results from changes in market interest rates and affects the market prices of fixed-interest time deposits and securities as well as other receivables and liabilities. Stock price risk arises from fluctuations in market prices.

There are no significant concentrations of risk that are not evident from the notes to the financial statements and management report.

Effects of the market risk on profit or loss or on equity in the Porsche SE Group result exclusively from the bonds, investment fund shares and derivative financial instruments held in the alternative investment fund at fair value.

The risk from these financial instruments is a generally diversified by spreading the funds across different asset managers and strategies. In addition, the resulting risks are limited by using an investment policy which specifies not only counterparties, products and currencies, but in particular also a risk budget. The risk budget is allocated for the year and is in the low single-digit percentage range. For management purposes, a target return is also defined for the long-term performance.

The interest risk and stock price risk are measured by means of value at risk on the basis of a historical simulation in order to present market risks for these financial instruments. The value-at-risk calculation yields the magnitude of a possible loss of the entire portfolio that will not be exceeded over a period of ten days with a probability of 99%. As a rule, the historical market data used in the value-at-risk calculation cover the 250 most recent trade days. The total value at risk for these financial instruments came to €1 million (31 December 2014: €0 million).

5 Measurement of financial instruments

The following table shows the reconciliation of the items of the balance sheet to the classes of financial instruments, as well as the comparison of carrying amount and fair value:

€ million	Measurement category under IAS 39	31/12/2015		31/12/2014	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Other financial receivables	LaR ¹	5	5	7	7
Securities	LaR ¹	559	559	295	295
Securities	FVtPL ²	183	183	0	0
Time deposits	LaR ¹	550	550	1,289 ⁴	1,289 ⁴
Cash and cash equivalents	LaR ¹	712	712	983 ⁴	983 ⁴
Equity and liabilities					
Financial liabilities	FLAC ³	300	329	300	350
Trade payables	FLAC ³	1	1	3	3
Other financial liabilities	FLAC ³	17	17	26	26

¹ LaR: Loans and receivables

² FVtPL: Fair value through profit or loss

³ FLAC: Financial liabilities at cost

⁴ Retrospective adjustment of the disclosure for time deposits in accordance with IAS 8; reference is made to the section "Adjustment or restatement of prior-year figures".

The allocation of fair value to the various levels is based on the availability of observable market data on an active market. Level 1 shows the fair values of financial instruments where a price is quoted on active markets for identical financial instruments. Level 2 presents the fair value of financial instruments for which market data are directly or indirectly observable. In particular, interest rate curves, index values and exchange rates are used as key parameters. The reported fair values of the financial liabilities are determined using these parameters by means of a discounted cash flow calculation. The fair value of financial instruments in level 3 is calculated using inputs that are not based on observable market data.

Financial instruments at fair value through profit or loss comprise non-derivative financial instruments designated as at fair value as well as derivative financial instruments for which hedge accounting is not applied.

The following overview contains the assets accounted for at fair value:

€ million	31/12/2015	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Securities	183	0	183	0

€ million	31/12/2014	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Securities	0	0	0	0

The carrying amounts of financial assets and liabilities are allocated to the measurement categories in accordance with IAS 39 as follows:

€ thousand	31/12/2015	31/12/2014
Financial instruments at fair value through profit/loss	183	0
thereof held for trading (HfT)	0	0
Loans and receivables (LaR)	1,826	2,574
Financial liabilities measured at amortized cost (FLAC)	318	329

The net gains or losses of the respective measurement categories are as follows:

€ thousand	2015	2014
Financial instruments at fair value through profit or loss	-4	0
thereof held for trading (HfT)	-3	0
Loans and receivables (LaR)	2	6
Financial liabilities measured at amortized cost (FLAC)	-18	-20

The net gains or losses from the category “Financial instruments at fair value through profit or loss” includes income and expenses from derivative financial instruments allocable to the category “held for trading” as well as from the remeasurement of bonds and investment fund shares designated as at fair value.

The net gains or losses from the loans and receivables category include income from the cash investment.

The net gains or losses from financial liabilities at amortized cost essentially comprise interest expenses.

The table below contains the notional amounts of the derivative financial instruments both on the assets and the liabilities side:

€ million	Notional amount			Total notional amount
	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years	
31/12/2015				
Interest rate hedge with a positive carrying amount	11	0	0	11
Stock price derivatives with positive carrying amount	2	0	0	2
Interest rate hedge with a negative fair value	14	0	0	14
Commodity futures contract	10	0	0	10
	37	0	0	37

As of the reporting date of the prior year, the Porsche SE Group did not hold any derivative financial instruments.

[24] Legal disputes

For several years, Porsche SE has been involved in various legal proceedings. The main developments of these legal proceedings during the fiscal year 2015 are described in the following:

Actions for damages concerning the allegation of market manipulation in Germany and England

At the end of 2011, six plaintiffs asserting damages from their own rights and one plaintiff asserting damages from allegedly assigned rights of six other claimants filed an action for damages against Porsche SE, which is pending before the Regional Court of Hanover. 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. During two oral hearings on 6 and 7 May 2015 evidence was taken through examination of two witnesses. Dates for continuation of taking evidence and for examination of further witnesses have not yet been scheduled. 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 joined the proceeding as intervenor in support of the two supervisory board members. A trial date for hearing the case took place on 30 April 2015. By interim judgment dated 21 May 2015, the court assigned six of the seven plaintiffs to provide a security for costs for the legal procedures. Porsche SE considers the claims to be without merit.

On 30 April 2013, a group of plaintiffs filed a complaint against Porsche SE at the Regional Court of Stuttgart and asserted claims for damages based on allegations of market manipulation and inaccurate information in connection with the acquisition of the shareholding in Volkswagen AG in 2008. The Regional Court of Stuttgart dismissed the action by decision of 17 March 2014. The four plaintiffs who did not file appeals originally had asserted claims for damages in the amount of approximately €177 million (plus interest). Hence, the remaining claims for damages asserted in the appellate proceedings amounted to approximately €1.18 billion (plus interest). The Higher Regional Court of Stuttgart dismissed the appeals by decision of 26 March 2015 and thus confirmed the dismissal by the Regional Court of Stuttgart. Leave to appeal on points of law was not permitted. All 19 plaintiffs have lodged a complaint against the refusal of leave to appeal on points of law to the Federal Court of Justice (Bundesgerichtshof). A decision on the complaint against the refusal of leave to appeal has not yet been made. Porsche SE considers 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 ordinary shares in Volkswagen AG and incurred losses from these transactions due to the share price development in the amount claimed. During the oral hearings before the Regional Court of Braunschweig on 10 December 2014, the plaintiff filed an application for establishment of a model case according to the Capital Markets Model Case Act (KapMuG) and filed as a precautionary measure a motion to refer the case. By decisions of 4 March 2015, the Regional Court of Braunschweig referred the case to the Regional Court of Hanover as the competent court for antitrust matters because the plaintiff based its alleged claims also on antitrust law. In November 2015, the plaintiff has broadened the scope of the action and has been claiming alleged damages in an amount of around €2.7 billion (plus interest) since. An oral hearing was held on 8 December 2015 at the Regional Court of Hanover. 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 a first referral of the case to the Regional Court of Braunschweig and an oral hearing before this court, the case was referred to the antitrust chamber of the Regional Court of Hanover in accordance with a request of the plaintiff. By a pleading of 18 February 2015, the plaintiff filed an application for establishment of a model case according to the Capital Markets Model Case Act (KapMuG). An oral hearing was held on 8 December 2015 at 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. By decision dated 10 June 2015, the Regional Court of Braunschweig referred the case to the Regional Court of Hanover as the competent court for antitrust matters because the plaintiff based its alleged claims also on antitrust law. Porsche SE considers the asserted claim to be without merit.

In March 2015, 32 companies (hedge funds, pension funds and other investment funds) filed claims for damages against Porsche SE before the Regional Court of Braunschweig. In this action, the plaintiffs allege overall damages of about €507 million (plus interest) based on allegedly inaccurate information and the alleged omission of information and have filed an application for establishment of a model case according to the Capital Markets Model Case Act (KapMuG). By decision dated 10 June 2015, the Regional Court of Braunschweig referred the case to the Regional Court of Hanover as the competent court for antitrust matters because the plaintiffs based their alleged claims also on antitrust law. In November 2015, the plaintiffs broadened the scope of the action and asserted damages in an amount of around €703 million (plus interest). An oral hearing was held on 8 December 2015 at the Regional Court of Hanover. By interim judgment dated 12 January 2016 the court assigned 25 of the 32 plaintiffs to provide

a security for costs for the legal procedures. By letter dated 3 March 2016, two plaintiffs withdrew their claims. After this withdrawal, the total of all remaining claims in this action amounts to €658 million (plus interest). Porsche SE considers the claims to be without merit.

On 13 April 2016, the Regional Court of Hanover decided with respect to the above-mentioned KapMuG motions to refer in total 83 of the establishment objectives asserted by the plaintiffs to the Higher Regional Court of Celle. At the same time, the Regional Court of Hanover announced that it will make a decision on the suspension of all above-mentioned proceedings pending before it against Porsche SE because of a possible prejudicial effect of the decision to be rendered by the Higher Regional Court of Celle. Possible decisions of the Regional Court of Hanover on the suspensions of proceedings can be appealed by filing an immediate appeal to the Higher Regional Court of Celle.

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 and thereby entered legal proceedings. The Regional Court of Braunschweig dismissed the plaintiff's action by decision dated 30 July 2014. The appeal lodged by the plaintiff was dismissed by the Higher Regional Court of Braunschweig by decision of 12 January 2016. The court thus confirmed the dismissal by the Regional Court of Braunschweig. Leave to appeal on points of law was not permitted. The judgment is final.

On 7 June 2012, Porsche SE filed an action against two companies of an investment fund for declaratory judgment with the Regional Court of Stuttgart that alleged claims in the amount of around US\$ 195 million do not exist. The investment fund had asserted out-of-court that Porsche SE had made false and misleading statements in connection with its acquisition of a stake in Volkswagen AG during 2008 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 was appealed by way of an immediate appeal by one of the defendants. By decision dated 28 November 2013, the Regional Court of Stuttgart did not allow the appeal and submitted the appeal to the Higher Regional Court of Stuttgart for a decision. By decision dated 30 January 2015, the Higher Regional Court of Stuttgart dismissed the immediate appeal. The defendant has filed an appeal on points of law to the Federal High Court of Justice. A decision on the appeal has not been taken yet. Porsche SE considers the action filed in England to be inadmissible and the claims to be without merit.

In autumn 2015 an individual asserted out-of-court claims against Porsche SE in the amount of approximately €16,000 (without interest) based on alleged market manipulation in connection with the acquisition of the shareholding in Volkswagen AG. Porsche SE considers the asserted claims to be without merit and has rejected them.

Proceedings regarding shareholders' actions

A shareholder has filed an action of nullity and for annulment before the Regional Court of Stuttgart regarding the resolutions of the annual general meeting on 30 April 2013 on the exoneration of the executive board and the supervisory board for the fiscal year 2012, the election of five persons as members of the supervisory board as well as the resolution to refuse the motion to vote out the chairman of the general meeting. The Regional Court of Stuttgart dismissed the action by decision of 23 September 2014. The shareholder appealed this decision. By decision dated 8 July 2015, the Higher Regional Court of Stuttgart dismissed the appeal and thus confirmed the dismissal of the action by the Regional Court of Stuttgart. Leave to appeal on points of law was not permitted. The shareholder has filed a complaint against the refusal of leave to appeal with the Federal Court of Justice (Bundesgerichtshof). Porsche SE considers the action to be partially inadmissible and in any event to be without merit.

The same shareholder has also filed an action of nullity and for annulment regarding the resolutions of the annual general meeting on 27 May 2014 as well as a precautionary action for determination that a shareholders' resolution has been adopted before the Regional Court of Stuttgart. Subject of the actions are the shareholders' resolutions on the exoneration of the executive board and the supervisory board for the fiscal year 2013 as well as the resolution to refuse the motion to vote out the chairman of the general meeting. As a precautionary measure, the shareholder additionally filed an action for determination that a shareholders' resolution has been adopted regarding the motion to vote out the chairman of the general meeting. An oral hearing was held on 22 March 2016 at the Regional Court of Stuttgart. The Regional Court of Stuttgart has scheduled a date for rendition of a decision for 7 June 2016. Porsche SE considers the action to be partially inadmissible and in any event to be without merit.

Furthermore, the same shareholder claims a right to information against Porsche SE before the Regional Court of Stuttgart. With this motion, the disclosure of questions asked at the annual general meeting in 27 May 2014 is demanded. An oral hearing was held on 22 March 2016 at the Regional Court of Stuttgart. The Regional Court of Stuttgart has scheduled a date for rendition of a decision for 7 June 2016. Porsche SE considers the motion to be without merit.

Investigations and criminal proceedings

In December 2012, charges were brought against the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter with the chamber of the Regional Court of Stuttgart responsible for economic offenses on suspicion of information-based manipulation of the market in Volkswagen shares. The accused were held responsible for five false declarations made and issued in public statements of the company at their instigation in the period from 10 March 2008 to 2 October 2008 relating to the acquisition of the shareholding in Volkswagen AG. In these statements Porsche SE allegedly denied any intention to step up its investment to 75% of the voting capital even though it was allegedly by February 2008 at the latest 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. By

indictment dated 10 June 2015, the Stuttgart public prosecutor brought further charges against the two former executive board members concerning the press release by Porsche SE of 26 October 2008. The public prosecutor raised the accusation that the press release of 26 October 2008 had been misleading because it suggested that in the future there would only be just a few Volkswagen ordinary shares available in the market, thus generating the false impression of a long-term narrow market. Furthermore the public prosecutor raised the accusation that the press release contained a recommendation to short sellers of Volkswagen ordinary shares to purchase Volkswagen ordinary shares under pretense of alleged altruism and concealment of alleged selfish motives. Both indictments were accepted for trial. The Regional Court of Stuttgart consolidated these proceedings for joint hearing. The Regional Court of Stuttgart followed a request of the public prosecutor and ordered the participation of Porsche SE as a secondary party. The main hearings began on 22 October 2015 and ended on 18 March 2016 with the rendition of a decision. Based on factual reasons the Regional Court of Stuttgart found the two former members of the executive board of Porsche SE not guilty concerning all charges. Consequently, the Regional Court of Stuttgart also dismissed the Stuttgart public prosecutor's motion for imposing a fine of €807 million against Porsche SE. According to the opinion of the chamber, the six indicted statements made in the period from 10 March 2008 to 26 October 2008 were neither false, nor misleading or deceitful in any other way. Furthermore, it had not been proven that the six accused statements actually influenced the stock-market price of Volkswagen ordinary shares and that – with regard to the alleged 'denials' made between 10 March and 2 October 2008 – they were even suitable to influence the Volkswagen share's stock-market price. Based on the findings of the main proceeding the chamber does not see any proof with regard to the five statements made between 10 March 2008 and 2 October 2008 that the accused members of the executive board had decided to acquire 75% of the voting capital of Volkswagen AG prior to or during this period of time. In particular, there was no concealed plan of the accused and there were no untruthful denials in the indicted statements. With regard to the press release of 26 October 2008, the taking of evidence revealed that the accused neither misled nor deceived in any other way the capital market. In particular, contrary to the accusation of the public prosecutor's office, a termination-induced collapse of the options positions built up by Porsche SE was not imminent. That decreasing stock-market prices had been 'foreseeable' and had caused liquidity problems for Porsche SE had also not been proven during the main proceedings. Furthermore there had not been problems such as in relation to the risk bearing ability of a bank involved in setting up the option strategy. In addition the taking of evidence did not confirm the further accusation whereupon the accused issued the press release and thereby concealed selfish motives and gave a recommendation to purchase Volkswagen AG shares. The judgment is not final. The Stuttgart public prosecutor had lodged an appeal on points of law to the Federal Court of Justice. The written judgment has not been served yet. The appeal on points of law has to be substantiated at the latest within one month after service of the written judgment. If the appeal on points of law is not substantiated within this time, it will be rejected as inadmissible.

In February 2013, it became known that the Stuttgart public prosecutor 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. On 7 August 2015, charges were brought against the former employee with the Regional Court of Stuttgart on suspicion of aiding and abetting violation of the prohibition in market manipulation. A decision on the opening of the main proceedings has not yet been made. According to a press release of the Stuttgart public prosecutor dated 17 August 2015, the investigations against the members of the supervisory board had been terminated according to Sec. 170 (2) of the German Code of Criminal Procedure (StPO) due to a lack of sufficient suspicion of a criminal act. The analysis of all the evidence had not produced any factual indications that the members of the supervisory board had been directly or indirectly involved as offenders in the submission of the statements to which the proceedings relate. The investigations had also produced no factual indications that the members of the supervisory board had committed any acts constituting participation as instigators or accomplices.

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

Other legal proceedings and legal risks

In connection with the emissions/diesel issue (we refer to the detailed description in the section “Significant accounting judgments and estimates”) the following claims have been asserted against Porsche SE:

In October 2015, a minority shareholder of Volkswagen AG filed a (partial) claim against Porsche SE with the Regional Court of Munich II, concerning damage claims in the amount of €10,000 (plus interest) to be paid to Volkswagen AG. Subject of this action are alleged damages incurred by Volkswagen AG and its minority shareholders in connection with the diesel issue which Porsche SE is alleged to have caused. An oral hearing on the admissibility of the action was held on 21 April 2016. The Regional Court of Munich II has scheduled a date for rendition of a decision on the admissibility of the action for 12 May 2016. Porsche SE considers the action to be inadmissible and without merit.

In November 2015, a purchaser of a Volkswagen and an Audi diesel vehicle filed a class action lawsuit in the U.S. District Court for the Eastern District of Michigan against, among others, Volkswagen AG and Porsche SE. The plaintiff, purporting to represent a nationwide class of U.S. purchasers, alleges that the defendants fraudulently induced customers to purchase Volkswagen, Audi and Porsche diesel vehicles that contain illegal defeat devices intended to circumvent U.S. emissions standards and do not perform as advertised. Claiming that these vehicles have diminished in value, the plaintiff seeks substantial damages on behalf of the class, including punitive damages and treble damages under U.S. law. In addition, the plaintiff seeks, inter alia, injunctive relief in the form of a vehicle buy-back program, recall, and/or reimbursement of the purchase. The action has been transferred to the U.S. District Court for the Northern District of California for consolidated pre-trial proceedings with other actions involving similar allegations. On 22 February 2016 other plaintiffs in the multi-district litigation filed three consolidated amended complaints on behalf of putative classes of purchasers (including the plaintiff in the Eastern District of Michigan action against Porsche SE), dealers

and reseller dealerships. Porsche SE was not named as a defendant in any of those three complaints. In any event Porsche SE considers any claims against it to be without merit.

Since October 2015, 14 persons who have not yet filed a lawsuit have made out-of-court claims against Porsche SE in connection with the diesel issue. In part, the alleged claims have not yet been quantified. As far as the alleged claims have been quantified by the plaintiffs, the damage claims amount to a total of €155,304.95 (without interest). The plaintiffs maintain to have bought preference shares of Porsche SE prior to the diesel issue coming to light which allegedly lost value after the issue became public in September 2015. The plaintiffs demand compensation for the asserted loss caused by inaccurate capital market information or the omission of such information by Porsche SE. Porsche SE considers the claims to be without merit and has rejected them.

[25] Subsequent events

Through its 50% interest in the joint venture Global Mobility Holding B.V. (GMH), Amsterdam, the Netherlands, the Volkswagen Group held a 50% indirect stake in the joint venture's subsidiary, LeasePlan Corporation N.V., Amsterdam, the Netherlands (LeasePlan). LeasePlan is a Dutch financial services group whose core business is leasing and fleet management.

The final approvals for the sale of LeasePlan to an international consortium of investors were issued by the competent authorities in January 2016. The LeasePlan shares were legally transferred to the consortium on 21 March 2016.

The total value of the transaction was approximately €3.7 billion plus interest of €31.5 million. In 2016, this had a positive effect of €2.2 billion on investing activities and net liquidity and, taking into account the disposal of equity-accounted investment in GMH, resulted in a low three-digit million euro range for the Volkswagen Group, which is reported in the financial result of the Volkswagen Group. On completion of the transaction, the existing credit line of €1.3 billion provided by the Volkswagen Group was cancelled.

With the exception of the acquittal of the former members of the executive board, Dr. Wendelin Wiedeking and Holger Härter, of alleged suspicion of information-based manipulation of the market in Volkswagen shares described in note [24], there were no reportable events after the reporting date at the level of the Porsche SE Group.

[26] Related parties

In accordance with IAS 24, persons or entities which are in control of or controlled by the Porsche SE Group must be disclosed. Pursuant to a consortium agreement, the Porsche and Piëch families have direct and indirect control respectively of the parent company Porsche SE.

There were no service transactions between the Porsche SE Group and the Porsche and Piëch families and their affiliates (prior year: €1 million).

The disclosure requirements under IAS 24 also extend to persons who have the power to exercise significant influence over the entity, i.e., who have the power to participate in the financial and operating policies of the entity, but do not control it. In the fiscal year 2015 and in the comparative period, this concerns members of the supervisory board and the executive board of Porsche SE as well as their close family members. As in the prior year, no transactions were conducted by entities of the Porsche SE Group with members of the supervisory board or executive board as key management personnel and their close family members or with any other entities having these persons on their executive or supervisory board and over which Porsche SE has no significant influence or does not exercise joint control.

The disclosure requirements pursuant to IAS 24 also include persons and entities over which the Porsche SE Group can exercise a significant influence.

In the reporting period and the comparative period, Porsche SE exercised significant influence over the Volkswagen Group. In addition, it has exercised significant influence over the INRIX Group since 3 September 2014.

All relationships to the respective parent companies and subsidiaries of both of these groups are presented. Supplies and services rendered include dividends received from Volkswagen AG totaling €719 million (prior year: €599 million). Direct obligations resulting from the contribution of the holding business operations of Porsche SE to Volkswagen AG in the fiscal year 2012 (hereinafter also: "contribution of business operations" or "contribution") are reported within liabilities at an amount of €12 million (prior year: €12 million).

In addition, financial and other guarantees with a nominal volume of €1,310 million (prior year: €1,310 million) plus interest were issued to entities of the Volkswagen Group. The probability of claims being made based on the guarantees is considered very low and Volkswagen AG has signed a hold harmless agreement for 100%.

Porsche SE and the Volkswagen Group also have relationship in the financial services sector. This led to financial revenue of €5 million (prior year: €6 million), which was counterbalanced by finance costs of €21 million (prior year: €21 million). In connection with this relationship, receivables came to €109 million (prior year: €0 million) and liabilities to €303 million (prior year: €303 million).

In addition, services were transacted in the fiscal year 2015 that led to the recognition of goods and services received totaling €6 million (prior year: €31 million); these totals include refund obligations in connection with tax matters and back payments for prior years of €0 million (prior year: €19 million). In connection with this relationship, liabilities came to €0 million (prior year: €7 million). The goods and services provided as a result of these relationships were immaterial in the fiscal year 2015 and the prior year.

The following agreements were entered into by Porsche SE, Volkswagen AG and entities of the Porsche Holding Stuttgart GmbH Group in connection with the contribution of the holding business operations of Porsche SE to Volkswagen AG and the basic agreement prior to that as well as the associated agreements implementing it:

- Volkswagen AG holds Porsche SE harmless from certain financial guarantees issued by Porsche SE to creditors of entities in the Porsche Holding Stuttgart GmbH Group (reference is made to note [23]). The hold harmless agreement also extends to financial guarantees given by Porsche SE to the bond creditors of Porsche Holding Finance plc, Dublin, Ireland, with respect to the interest payment and redemption of bonds with a total volume of €310 million. Under the contribution of the holding business operations of Porsche SE to Volkswagen AG, Volkswagen AG undertook to assume a liability compensation as is customary in the market for guarantees issued vis-à-vis external creditors while holding Porsche SE harmless for internal purposes.
- Under the contribution agreement, Porsche SE in certain circumstances holds Porsche Holding Stuttgart GmbH, Porsche AG and their legal predecessors harmless from tax disadvantages that exceed the obligations from periods up until and including 31 July 2009 recognized at the level of these entities. Volkswagen AG has generally undertaken to transfer any tax advantages of Porsche Holding Stuttgart GmbH, Porsche AG or their legal predecessors and subsidiaries for assessment periods up until and including 31 July 2009 to Porsche SE (reference is made to the section “Significant accounting judgments and estimates”).
- Porsche SE granted Volkswagen AG various guarantees relating to Porsche Holding Stuttgart GmbH, Porsche AG and its other investments transferred. These concern amongst other things the proper issue and complete payment of shares and/or contributions and/or the ownership of the shares in Porsche Holding Stuttgart GmbH and Porsche AG.
- Under the contribution of its holding business operations, Porsche SE also granted Volkswagen AG guarantees for other assets and liabilities transferred. Under these guarantees, Porsche SE assures that these are not pledged and are unencumbered by third-party rights prior up to the execution date of the contribution.
- As part of the contribution agreement, Porsche SE’s liability for these guarantees is limited to the consideration from Volkswagen AG.
- Porsche SE under certain circumstances holds its subsidiaries transferred under the contribution agreement, Porsche Holding Stuttgart GmbH and Porsche AG, harmless from certain obligations towards Porsche SE pertaining to the period up to and including 31 December 2011 and that go beyond the obligations recognized for these entities for this period.

- Porsche SE holds Porsche Holding Stuttgart GmbH and Porsche AG harmless from obligations resulting from certain litigation, including the cost of appropriate legal counsel.
- In addition, Porsche SE holds Volkswagen AG harmless from half of the amount of the tax (with the exception of income tax) of Porsche Holding Stuttgart GmbH, Porsche AG and their subsidiaries arising at their respective levels in connection with the contribution and that would not have been incurred had the call options been exercised for the shares in Porsche Holding Stuttgart GmbH remaining at Porsche SE prior to the contribution. Accordingly, Volkswagen AG holds Porsche SE harmless for half the amount of such tax incurred there. In addition, Porsche Holding Stuttgart GmbH will be held harmless for half of the amount of the real estate transfer tax and other costs triggered as a result of the merger.
- It was also agreed to allocate based on causation any subsequent VAT receivables and/or VAT liabilities from transactions up to 31 December 2009 between Porsche SE and Porsche AG.
- Various information, conduct and cooperation duties were agreed in the contribution agreement between Porsche SE and the Volkswagen Group.
- Within the scope of the basic agreement, Porsche SE and Volkswagen AG had granted each other put and call options relating to the 50.1% share in Porsche Holding Stuttgart GmbH remaining at Porsche SE prior to the contribution of its holding business operations to Volkswagen AG. Both Volkswagen AG (in the event that it exercises its call options) as well as Porsche SE (in the event that it exercises its put options) had both agreed to bear any tax expenses arising from exercising the options and from any downstream measures with respect to the investments in Porsche Holding Stuttgart GmbH (e.g., from back taxes on the 2007 and/or 2009 spin-off). If Volkswagen AG, Porsche Holding Stuttgart GmbH, Porsche AG or their respective subsidiaries had enjoyed tax benefits as a result of subsequent taxation of the 2007 and/or 2009 spin-off, the purchase price payable by Volkswagen AG for the transfer of the remaining 50.1% share in Porsche Holding Stuttgart GmbH would have increased by the present value of the tax benefits if Porsche SE had exercised its put options. This rule was taken over in the course of the contribution agreement to the extent that Porsche SE has a payment claim against Volkswagen AG equivalent to the present value of the recoverable tax benefits as a result of back tax payments on the 2007 spin-off owing to the contribution. In connection with the contribution it was also agreed that Porsche SE would release Volkswagen AG, Porsche Holding Stuttgart GmbH and its subsidiaries from any tax liability with respect to subsequent taxation in 2012 resulting from a measure taken or omitted by Porsche SE upon or subsequent to the execution of the contribution. Also in that event, Porsche SE has a payment claim against Volkswagen AG in the amount of the present value of the recoverable tax benefits resulting from such a transaction at the level of Volkswagen AG or one of its subsidiaries.

- Volkswagen AG has agreed to hold Porsche SE harmless for internal purposes from any claims of the deposit guarantee fund agency after Porsche SE issued a hold harmless declaration to the deposit guarantee fund agency as required by the Association of German Banks in August 2009. In addition, Volkswagen AG has undertaken to hold the deposit guarantee fund agency harmless from any losses incurred as a result of its measures in favor of a bank in which it holds the majority.

The table below shows the supplies and services rendered and received between the Porsche SE Group and its related parties as well as existing receivables and liabilities.

€ million	Supplies and services rendered		Supplies and services received	
	2015	2014	2015	2014
Porsche and Piëch families	0	1	0	0
Associates	724	605	27	52
	724	606	27	52

€ million	Receivables		Liabilities	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Associates	109	0	315	322
	109	0	315	322

The following benefits and payments were recorded for the board work of the members of the executive board and the supervisory board of Porsche SE.

€ million	2015	2014
Short-term employee benefits	4.2	5.6
Other long-term benefits	0.8	2.3
Post-employment benefits	0.5	0.3
Termination benefits	1.5	0.0

Members of the executive board who also served as members of the Volkswagen AG board of management or who serve as members of the Volkswagen AG supervisory board are also reimbursed for any flight costs for flights between their place of residence and primary workplace. If the payment of flight costs results in a final personal tax burden for Mr. Pötsch, Porsche SE will bear the taxes incurred in this connection. In addition, an agreement was reached with Mr. Pötsch during the reporting period that Porsche SE would make available by means of a loan any personally payable income tax payments incurred after the reporting date until the final tax assessment of the payment of flight costs, if necessary.

Other long-term benefits concern the addition to provisions for the long-term component of the variable incentive of the members of the executive board of Porsche SE. The expenses for post-employment benefits contain the addition to the pension provisions.

As of the end of the fiscal year, the outstanding balances for remuneration of members of Porsche SE's executive board and supervisory board amounted to €4.8 million (prior year: €7.8 million).

[27] Remuneration of the supervisory board and the executive board

The total remuneration of members of Porsche SE's executive board amounted to €2.8 million in fiscal year 2015 (prior year: €6.6 million). Benefits of €1.5 million were paid to former members of Porsche SE's executive board in the fiscal year 2015 (prior year: €0 million).

The total remuneration of the supervisory board for the fiscal year 2015 amounts to €1.4 million (prior year: €1.6 million).

Individual information on the remuneration of the executive board and of the supervisory board of Porsche SE as well as a breakdown into individual components are contained in the remuneration report which is included in the combined management report for the group and for Porsche SE.

[28] Auditor's fees

The auditor's fees charged by the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, for the fiscal year in accordance with Sec. 314 (1) No. 9 HGB break down as follows:

€ thousand	2015	2014
Audit of financial statements	335	185
Other assurance services	43	42
Tax advisory services	732	1,230
Other services	68	312
	1,178	1,769

The item for the audit of financial statements contains the entire fee for the audit of the separate financial statements of Porsche SE and a subsidiary as well as for the audit of the consolidated financial statements.

[29] Declaration on the German Corporate Governance Code

The executive board and supervisory board of Porsche SE issued the declaration required by Sec. 161 AktG in May 2015 and made it permanently accessible to the shareholders of Porsche SE on the website www.porsche-se.com. The declaration was updated in December 2015 and in March 2016.

Stuttgart, 25 April 2016

Porsche Automobil Holding SE
The executive board

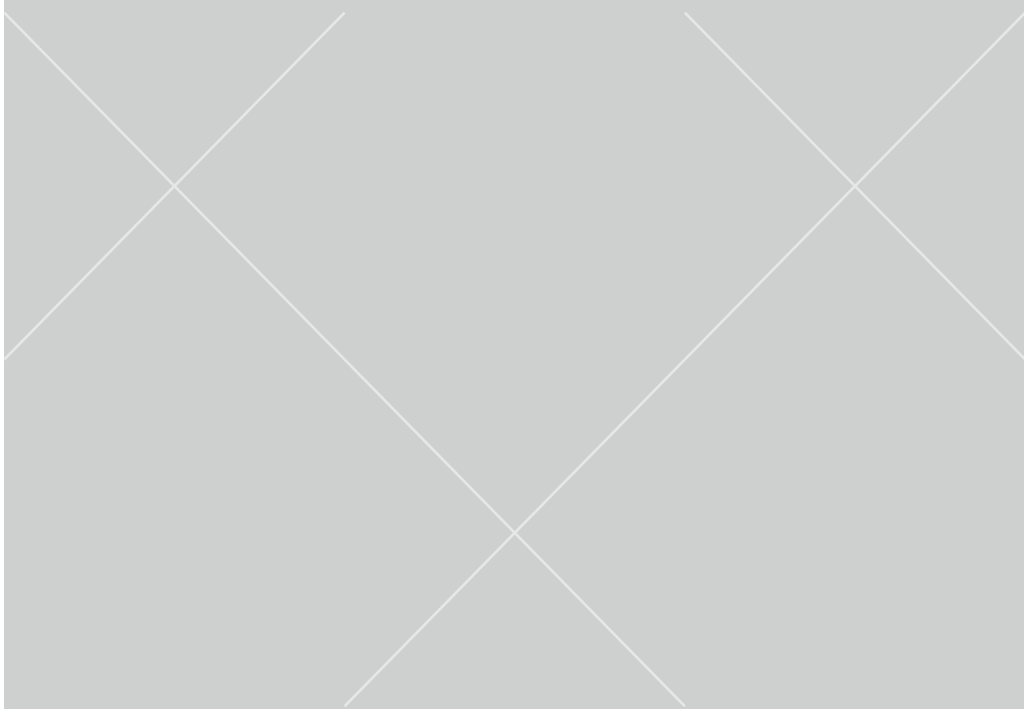
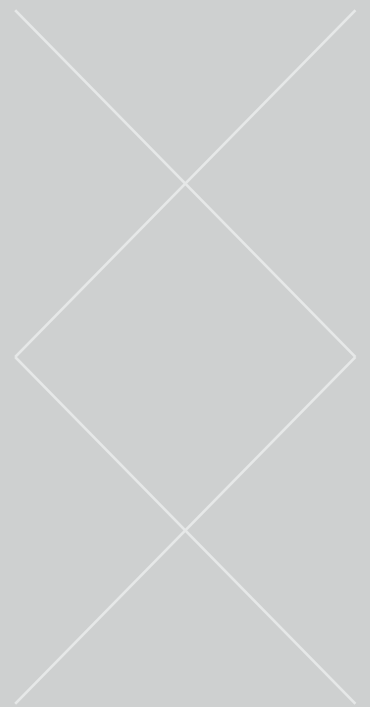
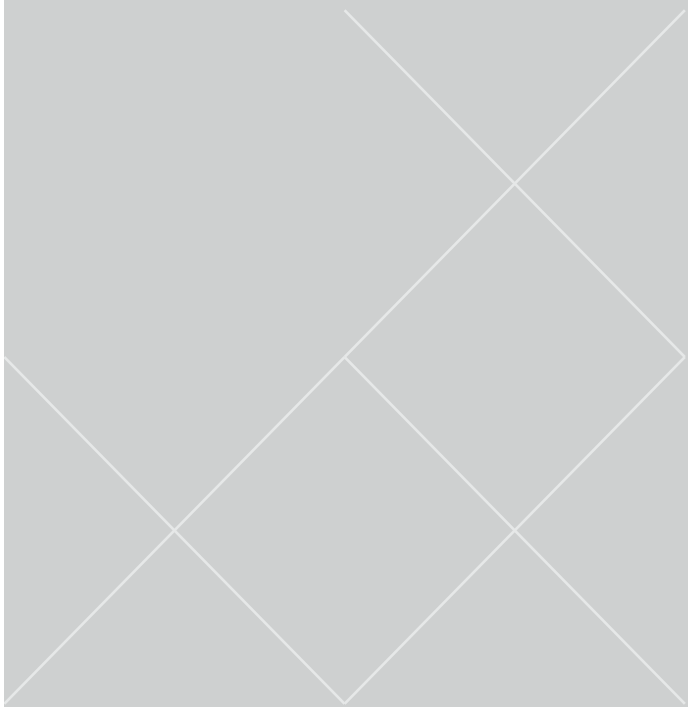
Hans Dieter Pötsch

Dr. Manfred Döss

Matthias Müller

Philipp von Hagen





Responsibility statement

We assure to the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report, which has been combined with the management report of Porsche SE, includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Stuttgart, 25 April 2016

Porsche Automobil Holding SE
The executive board

Hans Dieter Pötsch

Dr. Manfred Döss

Matthias Müller

Philipp von Hagen



Auditors' report of the group auditor

We have audited the consolidated financial statements prepared by Porsche Automobil Holding SE, Stuttgart, comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of cash flows, the statement of changes in equity as well as the notes to the financial statements, together with the combined management report for the fiscal year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, in the following we make reference to a special matter that came to our attention during the audit:

As explained by the executive board in the sections "Significant events and developments in the Porsche SE Group", "Significant events at the Volkswagen Group" and "Opportunities and risks of future development", Porsche Automobil Holding SE, Stuttgart, as the majority shareholder of Volkswagen AG, Wolfsburg, was influenced in the fiscal year 2015, particularly with regard to the profit/loss attributable to it from investments accounted for at equity and by the decrease in proportionate market capitalization due to the development of the price of the preference and ordinary shares as a result of the diesel issue.

The provisions recognized for warranties and legal risks totaling €14.8 billion in the consolidated financial statements of Volkswagen AG in the fiscal year 2015 are based on the information available as presented. Due to the many technical solutions required as well as the uncertainties necessarily associated with pending and expected litigation, it cannot be ruled out that the risk estimation could change in the future.

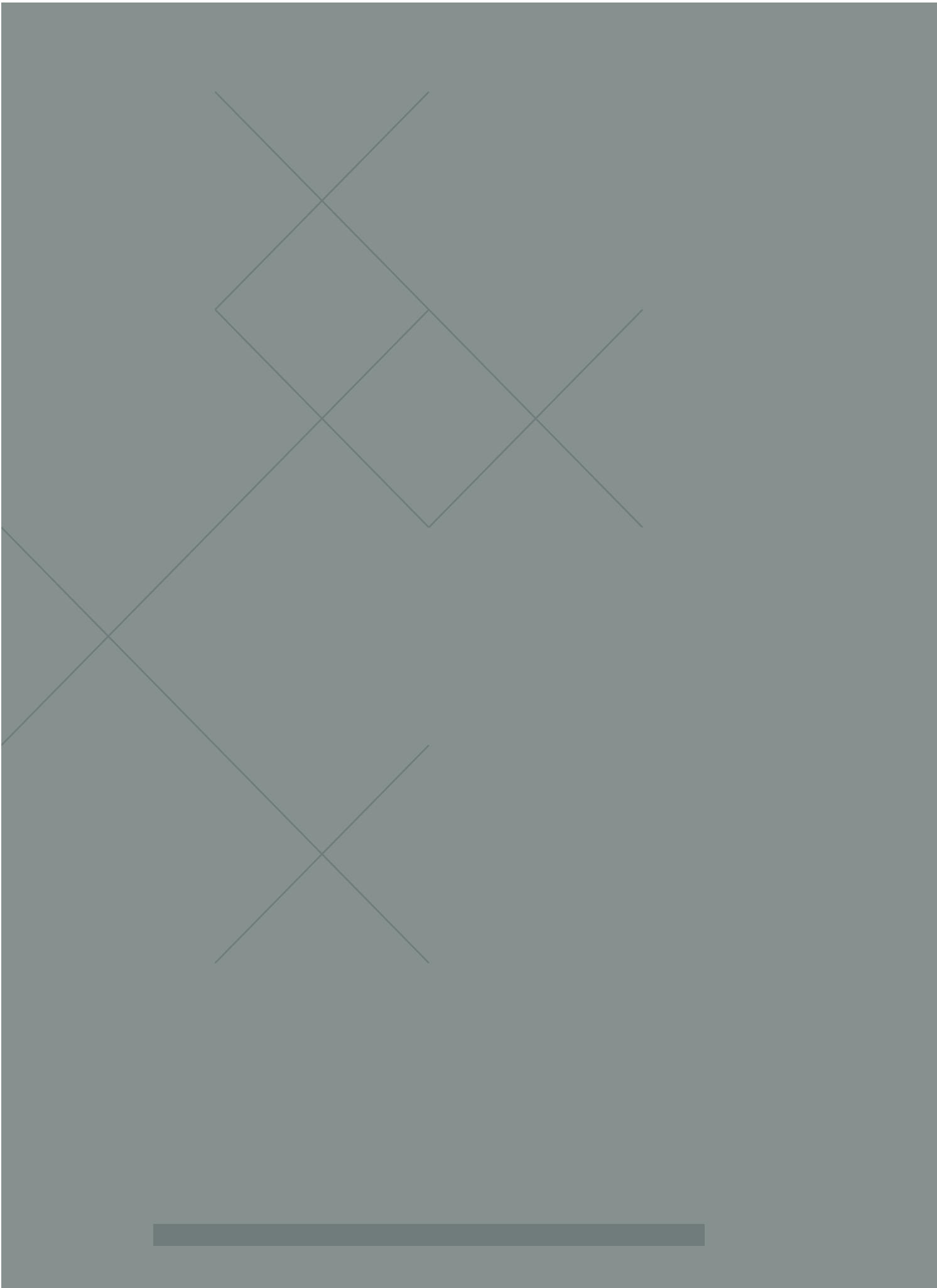
With regard to the investment in Volkswagen AG, the executive board of Porsche Automobil Holding SE currently sees a risk of further burdens on the proportionate profit/loss attributable to it as a result of the diesel issue and the uncertainties associated with it. These burdens could result in particular from new findings regarding the effects of the diesel issue on the operating business and/or the financing costs of the Volkswagen Group which exceed the extent assumed in the planning and taken into consideration in the provisions recognized in the consolidated financial statements of Volkswagen AG. As the impairment test of the investment in Volkswagen AG is based on the current planning of the Volkswagen Group, unexpected additional burdens could also give rise to an impairment loss for the investment in Volkswagen AG.

Stuttgart, 25 April 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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Wirtschaftsprüfer
[German Public Auditor]

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In case of doubt the german version is binding.

Financial calendar

29 April 2016

Annual press conference and analyst conference

7 June 2016

Interim report 1 January - 6 June 2016

29 June 2016

Annual general meeting

1 August 2016

Six-monthly financial report

10 November 2016

Interim report 1 January - 9 November 2016

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