PORSCHE SE

Group quarterly statement

1st Quarter 2018

1st Quarter

2018

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Porsche Automobil Holding SE ("Porsche SE" or the "company"), as the ultimate parent of the Porsche SE Group, is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. As of 31 March 2018, the Porsche SE Group had 847 employees (31 December 2017: 823 employees).

Porsche SE is a holding company. In particular, it holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft, Wolfsburg ("Volkswagen AG" or "Volkswagen"), one of the leading automobile manufacturers in the world. The Volkswagen Group comprises twelve brands from seven European countries: Volkswagen passenger cars, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen commercial vehicles, Scania and MAN. In addition, Porsche SE holds shares in the US technology company INRIX. Furthermore, an entity of the Porsche SE Group acquired PTV Planung Transport Verkehr AG ("PTV AG"), Karlsruhe, in the past fiscal year.

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

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

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

This group quarterly statement by Porsche SE relates to the development of business and its effects on the results of operations, financial position and net assets in the first three months of the fiscal year 2018, and contains information on the period from 1 January to 14 May 2018.

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

Contents

Significant events and developments at the Porsche SE Group

Diesel issue at the level of the Volkswagen Group

On 18 September 2015, the US Environmental Protection Agency (EPA) informed the public in a notice of violation that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles of Volkswagen Group with diesel engines. This led to authorities in their respective jurisdictions worldwide commencing their own investigations ("diesel issue").

As the majority shareholder, Porsche SE continues to be affected by this issue, in particular with regard to its result from investments accounted for at equity. Furthermore, the proportionate market capitalization of its investment in Volkswagen AG is influenced by the resulting development of the prices of the Volkswagen ordinary and preference shares. As of 31 March 2018, there was no need to recognize an impairment loss on the basis of the earnings forecasts for the investment accounted for at equity in Volkswagen AG. However, particularly a further increase in the costs of mitigating the diesel issue might continue to lead to an impairment in the value of the investment. Finally, there may continue to be subsequent effects on the dividend policy of Volkswagen AG and therefore on the cash inflows at the level of Porsche SE. Legal risks from claims brought against Porsche SE stemming from this issue may also have an effect on the results of operations, financial position and net assets of the Porsche SE Group. For details of this matter, please refer to the explanations of the significant events and developments at the Volkswagen Group, the explanations of the results of operations, financial position and net assets, the report on opportunities and risks of the Volkswagen Group and the "Forecast report and outlook" section in the combined management report in the annual report of Porsche SE for the fiscal year 2017. The executive board of Porsche SE remains committed to the company's role as Volkswagen AG's long-term anchor shareholder and is still convinced of the Volkswagen Group's potential for increasing value added.

Changes in Porsche SE's executive board

Mr. Matthias Müller, member of the Porsche SE executive board responsible for strategy and corporate development, has resigned from his position in the executive board in agreement with the supervisory board effective 30 April 2018. It was agreed with Mr. Müller that the benefits to which he is entitled under the contract will be honored in full. Porsche SE's supervisory board intends to decide about who will succeed in due course.

Planned changes in Porsche SE's supervisory board

The supervisory board of Porsche SE proposes to the annual general meeting on 15 May 2018 an extension of the supervisory board from six to ten members by means of an amendment to the articles of association. The objective is to strengthen the supervisory board by adding more fourth-generation family members as well as additional external experts.

Mr. Hans-Peter Porsche will retire from his position on the supervisory board effective as of the end of the upcoming annual general meeting. Prof. Siegfried Wolf was originally going to take over this role, but as a result of his mandate as chairman of the supervisory board of the Russian car manufacturer GAZ (Gorkowski Awtomobilny Sawod), he recently announced that he would not yet be standing for election for the supervisory board at the annual general meeting of Porsche SE on 15 May 2018. In the interest of Porsche SE, he would first like to await clarification of the harmlessness of the mandate at GAZ for the new responsibilities on Porsche SE's supervisory board.

One position on the supervisory board of Porsche SE had previously been vacant. Dr. Günther Horvath was appointed by the competent court as new member of the supervisory board effective 20 March 2018. The annual general meeting will then decide on his election to serve a full term.

Under the prerequisite of the corresponding amendments to the articles of association, the supervisory board proposes the following candidates for election to the board: Ms. Marianne Heiß as well as Mag. Josef Michael Ahorner, Dr. Stefan Piëch and Peter Daniell Porsche.

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

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

Legal proceedings and legal risks in connection with the expansion of the investment in Volkswagen AG

A model case according to the Capital Markets Model Case Act (KapMuG) against Porsche SE is pending with the Higher Regional Court of Celle. Subject of those actions are alleged damage claims based on alleged market manipulation and alleged inaccurate information in connection with Porsche SE's acquisition of the shareholding in Volkswagen AG. In part these claims are also based on alleged violations of antitrust regulations. The model case has been initiated by an order of reference of the Regional Court of Hanover dated 13 April 2016 that followed applications for establishment of a model case by the plaintiffs of four out of six proceedings pending before the Regional Court of Hanover. The Regional Court of Hanover has referred certain establishment objectives to the Higher Regional Court of Celle. On 11 May 2016 the Regional Court of Hanover suspended all six proceedings pending before it against Porsche SE up until a final decision about the establishment objectives in the model case before the Higher Regional Court of Celle. The suspended proceedings concern six legal actions of a total of 40 plaintiffs asserting alleged claims for damages of about €5.4 billion (plus interest). By decision dated 12 January 2017, the Higher Regional Court of Celle extended the KapMuG-based order of reference by additional establishment objectives. The first trial date took place on 12 October 2017. At this date the Higher Regional Court of Celle signalized that it intends to add further establishment objectives and explained its preliminary view on the state of affairs and of the dispute. Due to several motions to recuse the judges that have been dismissed in the meantime the Higher Regional Court of Celle canceled the trial dates scheduled for 2017. One party to the model case proceedings appealed the dismissal of its motion to recuse the judges. The Higher Regional Court of Celle scheduled dates for continuation of the hearing starting on 5 June 2018. Porsche SE is of the opinion that the claims asserted in the suspended initial proceedings are without merit and that the establishment objectives that are subject of the model case will be rejected. Porsche SE considers its opinion endorsed by the previous course of the oral hearing before the Higher Regional Court of Celle.

Furthermore the following proceedings in connection with the alleged market manipulation are or were pending:

Based on the same alleged claims that are already subject of a momentarily suspended action concerning alleged damages of €1.81 billion (plus interest) pending against Porsche SE before the Regional Court of Hanover, the same plaintiffs filed an action against two members (one of whom is no longer in office) of the supervisory board of Porsche SE before the Regional Court of Frankfurt am Main in September 2013. Porsche SE joined the proceeding as intervener in support of the two supervisory board members. A trial date for hearing the case took place on 30 April 2015. By interim judgment dated 21 May 2015, the court assigned six of the seven plaintiffs to provide a security for costs for the legal procedures. Porsche SE considers these claims to be without merit.

On 7 June 2012, Porsche SE filed an action against two companies of an investment fund for declaratory judgment with the Regional Court of Stuttgart that alleged claims in the amount of around US$195 million do not exist. The investment fund had asserted out-of-court that Porsche SE had made false and misleading statements in connection with its acquisition of a stake in Volkswagen AG during 2008. Therefore the investment fund announced that it intended to file the alleged claim before a court in England. On 18 June 2012, the investment fund filed an action against Porsche SE with the Commercial Court in England. On 6 March 2013, the English proceedings were suspended at the request of both parties until a final decision had been reached in the proceedings begun at the Regional Court of

Stuttgart concerning the question of which court is the court first seized. On 24 July 2013, the Regional Court of Stuttgart decided that the Regional Court of Stuttgart is the court first seized. This decision of the Regional Court of Stuttgart was appealed by way of an immediate appeal by one of the defendants. By decision dated 28 November 2013, the Regional Court of Stuttgart did not allow the appeal and submitted the appeal to the Higher Regional Court of Stuttgart for a decision. By decision dated 30 January 2015, the Higher Regional Court of Stuttgart dismissed the immediate appeal. The defendant has filed an appeal on points of law to the Federal Court of Justice. By decision dated 13 September 2016 the Federal Court of Justice annulled the Higher Regional Court of Stuttgart's decision of 30 January 2015 and referred the case back to the Higher Regional Court of Stuttgart for reconsideration. Porsche SE considers the action filed in England to be inadmissible and the asserted claims to be without merit.

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

Legal proceedings and legal risks in connection with the diesel issue

In connection with the diesel issue (for a description see section "Diesel issue at the level of the Volkswagen Group" in the section "Significant events and developments at the Porsche SE Group") in this group quarterly statement as well as within the combined management report for the fiscal year 2017 in the section "Diesel issue" in the section "Significant events and developments at the Volkswagen Group") the following claims have been asserted against Porsche SE:

Since April 2016 a total of 190 proceedings against Porsche SE have been initiated before or have been transferred to the Regional Court of Stuttgart. One action was withdrawn in November 2017. In addition, several plaintiffs of one matter have withdrawn their actions of about €70 million. The pending actions concern damages in an amount totaling, if and to the extent the claims were quantified, about €865 million (plus interest) and in part establishment of liability for damages. The plaintiffs accuse Porsche SE of alleged nonfeasance of capital market information in connection with the diesel issue. A part of the actions is directed against both Porsche SE and Volkswagen AG. One action of about €11,500 is directed against both Porsche SE and Robert Bosch GmbH. In one part of the actions

Volkswagen AG filed motions to recuse judges, about which a decision has not yet been made. Motions to recuse judges filed by a part of the plaintiffs were rejected in the meantime. A part of the plaintiffs filed applications for establishment of a model case according to the KapMuG. As a precautionary measure, in case the Regional Court of Stuttgart does not dismiss actions right away, Porsche SE has applied in a total of ten proceedings for the issuance of a KapMuG-based order of reference containing six further specified establishment objectives. The Regional Court of Stuttgart decided on 28 February 2017 with respect to the aforementioned KapMuG motions to refer to the Higher Regional Court of Stuttgart nine of the establishment objectives asserted by the plaintiffs and the aforementioned six establishment objectives asserted by Porsche SE as a precautionary measure. In addition, on 6 December 2017 the Regional Court of Stuttgart in proceedings against Volkswagen AG adopted a KapMuG-based order of reference concerning questions of local jurisdiction regarding investor lawsuits in connection with the diesel issue. A part of the plaintiffs has filed motions for suspension of the proceedings with reference to this order of reference. A part of the plaintiffs filed motions for suspension of the proceedings with reference to a KapMuG-based order of reference by the Regional Court of Braunschweig regarding proceedings for damages against Volkswagen AG in connection with the diesel issue. It is currently unclear to what extent the actions pending before the Regional Court of Stuttgart will be suspended with reference to the order of reference issued by the Regional Court of Braunschweig or with reference to the orders of reference issued by the Regional Court of Stuttgart. Since early May 2017, 106 actions have been suspended in whole or partially by the Regional Court of Stuttgart with reference to its order of reference of 28 February 2017 and, to the extent the Regional Court of Stuttgart did not suspend the actions, it partially suggested a withdrawal of the action. The Regional Court of Stuttgart by order decided in 28 actions that the respective action will not be suspended with reference to its order of reference dated 28 February 2017. In order to clarify the extent of the suspension the Regional Court of Stuttgart intends to schedule a hearing in one matter starting in summer 2018. Porsche SE considers these claims to be without merit.

Since September 2016 seven actions have been filed against Porsche SE before the Regional Court of Braunschweig. The actions are directed against both Porsche SE and Volkswagen AG. The actions are based on alleged claims for damages because of nonfeasance of immediate publication of insider information. The actions aim for claims for damages against Porsche SE in the amount of originally about €170,000. Volkswagen AG filed in relation to five actions an application with the Higher Regional Court of Braunschweig to determine the Regional Court of Braunschweig as the competent court. In relation to four proceedings also the plaintiffs filed similar applications to determine the competent court with the Higher

Regional Court of Braunschweig. In October 2017 the Higher Regional Court of Braunschweig determined in two proceedings with an amount in dispute of around €136,000 the Regional Court of Stuttgart as the competent court. Accordingly, the Regional Court of Braunschweig transferred both proceedings to the Regional Court of Stuttgart. In three proceedings the Higher Regional Court of Braunschweig dismissed the motions to determine the competent court. The plaintiffs have in part applied for suspension of the proceeding with reference to the KapMuG-based order of reference issued by the Regional Court of Braunschweig. In part the plaintiffs consented to this motion for suspension. In addition, part of the plaintiffs filed a motion for suspension of the proceedings with reference to the order of reference issued by the Regional Court of Stuttgart of 6 December 2017 concerning questions of local jurisdiction. Prior to that, the Regional Court of Braunschweig had suspended one of the proceedings with respect to Volkswagen AG which was transferred to the Regional Court of Stuttgart with reference to the order of reference issued by the Regional Court of Braunschweig. With orders of 21 February and 8 March 2018 the Regional Court of Braunschweig suspended three of the proceedings pending before it with respect to Porsche SE and Volkswagen AG with reference to the order of reference issued by the Regional Court of Braunschweig as well as the order of reference of the Regional Court of Stuttgart of 6 December 2017 concerning questions of local jurisdiction. Porsche SE has appealed these orders. One action against Porsche SE with an amount in dispute of €20,000 was first separated by the Regional Court of Braunschweig and later transferred to the Regional Court of Stuttgart. A decision regarding the suspension or the transfer of the remaining action pending before the Regional Court of Braunschweig is still outstanding. Porsche SE considers these claims to be inadmissible and to be without merit.

10 court orders for payment have been obtained against Porsche SE concerning alleged claims for damages in connection with the diesel issue in an amount of about €3.7 million (plus interest). Porsche SE considers these claims to be without merit and has filed complaints against those court orders. Meanwhile four of the claimants have asserted alleged claims for damages against Porsche SE of about €3.6 million (plus interest) in court.

Since October 2015, 51 persons who have not yet filed a lawsuit have made out-of-court claims or initiated conciliatory proceedings against Porsche SE in connection with the diesel issue. In part, the alleged claims have not yet been quantified. As far as the alleged claims have been quantified by the plaintiffs, the damage claims amount to a total of around €37 million (without interest). The plaintiffs demand damages caused by alleged inaccurate capital market information or the omission of such information by Porsche SE. Porsche SE considers the claims to be without merit and has rejected them.

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

Proceedings regarding shareholders' actions
A shareholder has filed an action of nullity and for annulment regarding the resolutions of the annual general meeting on 27 May 2014 as well as a precautionary action for determination that a shareholders' resolution has been adopted before the Regional Court of Stuttgart. Subject of the action are the shareholders' resolutions on the exoneration of the executive board and the supervisory board for fiscal year 2013 as well as the resolution to refuse the motion to vote out the chairman of the general meeting. As a precautionary measure, the shareholder additionally filed an action for determination that a shareholders' resolution has been adopted regarding the motion to vote out the chairman of the general meeting. By decision of 28 October 2016 the Regional Court of Stuttgart dismissed the actions. The plaintiff has appealed this decision. Porsche SE considers the actions to be partially inadmissible and in any event to be without merit.

The same shareholder has also filed an action of nullity and for annulment regarding the resolutions of the annual general meeting on 29 June 2016 on the exoneration of the executive board and the supervisory board for fiscal year 2015. By decision dated 19 December 2017 the Regional Court of Stuttgart granted the action. Porsche SE has appealed this decision. Porsche SE considers the action to be without merit.

In addition, the same shareholder claims a right to information against Porsche SE before the Regional Court of Stuttgart. With this motion, the disclosure of questions allegedly asked and allegedly answered insufficiently at the annual general meeting on 29 June 2016 is demanded. By decision dated 5 December 2017 the Regional Court of Stuttgart accepted the motion with respect to five questions and dismissed it regarding the remaining 49 questions. Porsche SE has appealed this decision. Porsche SE considers the motion to be without merit.

Significant events and developments at the Volkswagen Group

Partnerships

The Volkswagen Group and Aurora Innovation, a US company specializing in autonomous driving, announced their strategic partnership at the Consumer Electronics Show (CES) in Las Vegas, USA, in early January 2018. The aim of the collaboration is, among other things, to bring self-driving electric vehicles to cities in the form of mobility fleets – with the highest safety requirements, best user experience and digital intelligence.

Scania formed a partnership with Haylion Technologies in February 2018. The cooperation partners' aim is to collectively promote the commercial use of applications for autonomous driving. Scania and Haylion are focusing on China, where Haylion already currently belongs to the leading providers for innovative solutions for public transportation.

Volkswagen's Gläserne Manufaktur in Dresden and start-up company Wandelbots announced a novel joint project on human-robot collaboration (HRC) in March 2018 at the South by Southwest technology festival in Austin, Texas, USA. The aim is to create an innovative testing station at the Gläserne Manufaktur. This will test new HRC applications and make them ready for production. The activities in Dresden will extend to assembly, logistics and maintenance for production of Volkswagen's e-Golf.

MAN Truck & Bus AG and Solera Holdings Inc., a company offering digital technologies to protect and connect vehicles, properties and identities entered a partnership in March 2018 to digitalize after-sales processes in the commercial vehicles business. In future, MAN will use Solera's "Digital Garage" platform to further promote connectivity in after-sales.

Volkswagen Group reorganizes energy supply

In March 2018, the Volkswagen Group announced it will completely modernize the company's two large power plants in Wolfsburg and convert them from coal to gas operation. In the course of this modernization, several new gas and steam turbines will replace the existing coal-fired boilers. Approximately €400 million is being invested, with the new plants expected to be online between 2021 and 2022. The new, highly efficient gas turbines for the power plants in Wolfsburg will sustainably reduce CO_2 emissions from electricity and heat generation by approximately 1.5 million tonnes a year.

Volkswagen rating outlook lifted

In March 2018, the rating agency Moody's confirmed Volkswagen AG's short- and long-term ratings of Prime-2 and A3, and lifted the outlook from negative to stable. This was due above all to the strong operating performance. A stable rating backed by sound financial figures is key to the Volkswagen Group's financial flexibility when financing itself on the capital markets.

Revision of Volkswagen Group management structure

The board of management and supervisory board of Volkswagen AG have resolved to extensively revise the group's management structure. In order to sustainably implement the new structure, there have been a number of changes on the board of management. Mr. Matthias Müller stepped down from the group board of management by mutual agreement, effective 12 April 2018. Mr. Herbert Diess has been appointed as his successor as chairman of the board of management. Mr. Diess will continue to manage the Volkswagen passenger cars brand with the assistance of a chief operating officer, who will be responsible for daily operations. In addition, Mr. Gunnar Kilian has taken over responsibility for human resources and organization from Mr. Karlheinz Blessing. Mr. Blessing also left the group board of management by mutual agreement. Mr. Francisco Javier Garcia Sanz, head of procurement, left the company at his own request. Mr. Oliver Blume, chairman of the board of management of Dr. Ing. h.c. F. Porsche AG, has been appointed as a new member of the group board of management.

In the future, the Volkswagen Group will be divided into six operating units and the China region. These operating units will include the new "Volume", "Premium" and "Super Premium" brand groups, the "Truck & Bus" brand group and the procurement/components and financial services business fields.

The "Volume" brand group will comprise the Volkswagen passenger cars, SEAT, ŠKODA, Volkswagen commercial vehicles and MOIA brands. Audi will be in the "Premium" brand group. The "Super Premium" brand group will comprise the Porsche, Bentley and Bugatti brands. Volkswagen Truck & Bus will remain the umbrella company for Scania, MAN and RIO. The assignment of Lamborghini, Ducati and power engineering is currently being reviewed. The new structure will lay the foundations for streamlining group management, strengthening the brands and giving them greater responsibility. This will enable synergies to be leveraged more systematically and will speed up decision-making and implementation.

Business development

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

General economic development
The global economy saw solid growth in the first three months of 2018. The average expansion rate of gross domestic product (GDP) was up year-on-year in both the advanced and the emerging market economies. Energy and commodity prices increased in most cases compared with the prior-year period amid a still comparatively low interest rate level.

Trends in the passenger car markets
The global demand for passenger cars rose further (plus 2.4%) in the period from January to March 2018, thus exceeding the prior year’s first-quarter figure for the ninth year in a row. While Western Europe fell short of the prior-year level, the number of new vehicle registrations increased particularly in the Asia-Pacific, South America as well as Central and Eastern Europe regions.

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

Employees in the Volkswagen Group
At the end of the first three months of 2018, the Volkswagen Group had a total of 648,104 employees worldwide, up 0.9% on the number as of 31 December 2017. The main contributors to this were the volume-related expansion, the recruitment of specialists inside and outside Germany and the expansion of the workforce in the new plants in China. At 288,728, the number of employees in Germany was up 0.4% on year-end 2017. The proportion of employees in Germany declined slightly to 44.5% (44.8%).

Sales and production in the Volkswagen Group
In the first three months of 2018, the Volkswagen Group's unit sales to the dealer organization[1] (including the Chinese joint ventures) rose by 6.1% to 2,768,945 vehicles, in particular on the back of higher demand in China, Europe and South America. The Volkswagen Group produced a total of 2,726,609 vehicles in the period from January to March 2018, a decrease of 0.4% year-on-year. Production in Germany declined by 2.9% to 646,198 units. The proportion of vehicles produced in Germany decreased to 23.7% (24.3%).

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

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

Deliveries of passenger cars, light commercial vehicles, trucks and buses from 1 January to 31 March[1]

	2018	2017	Change %
Regions			
Europe/Other markets	1,239,837	1,185,788	4.6
North America	221,048	213,695	3.4
South America	128,664	121,807	5.6
Asia-Pacific	1,090,226	973,662	12.0
Worldwide	**2,679,775**	**2,494,952**	**7.4**
by brands			
Volkswagen passenger cars	1,525,293	1,440,922	5.9
Audi	463,788	422,481	9.8
ŠKODA	316,716	283,482	11.7
SEAT	139,234	117,270	18.7
Bentley	2,198	2,377	–7.5
Lamborghini	1,124	987	13.9
Porsche	63,478	59,689	6.3
Bugatti	17	2	>100
Volkswagen commercial vehicles	114,706	121,871	–5.9
Scania	22,640	20,656	9.6
MAN	30,581	25,215	21.3

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

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

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

Results of operations of the Porsche SE Group[1]

The Porsche SE Group’s result for the period came to €951 million (€986 million) in the first quarter of the fiscal year 2018. Of this, €957 million (€986 million) related to the PSE segment. For the ITS segment, a result after tax of minus €6 million is derived, taking into consideration negative effects from the purchase price allocation (minus €2 million).

This group result for the period was significantly influenced by the result from the investments accounted for at equity of €967 million (€1,006 million). This result related in full to the investment in Volkswagen AG and contained profit contributions from ongoing equity accounting of €990 million (€1,031 million) as well as subsequent effects from purchase price allocations of minus €23 million (minus €25 million).

With personnel expenses (€3 million) and other operating expenses (€4 million) remaining unchanged compared to the prior year, the PSE segment generated a result before tax of €960 million (€994 million). As a result of the change in deferred taxes, there was a tax expense of €3 million in the reporting period (€8 million).

The ITS segment generated revenue of €18 million in the reporting period, resulting primarily from license sales and maintenance services rendered and falling short of the expectations for the first quarter of the fiscal year 2018.

Within the Porsche SE Group, the number of employees increased from 30 in the prior-year quarter to 847 as of the end of the quarter, with personnel expenses also increasing to €18 million (€3 million) as a result. Amortization and depreciation of €4 million (€0 million) related in particular to the subsequent measurement of the hidden reserves identified as intangible assets in the course of the purchase price allocation.

[1] The prior-year figures do not take into account any adjustments from the first-time application of IFRS 9 and IFRS 15 at the level of the Volkswagen Group.

The Porsche SE Group's result before tax came to €952 million (€994 million) in the first quarter of the fiscal year 2018, with the PSE and ITS segments contributing €960 million and minus €8 million, respectively.

Financial position and net assets of the Porsche SE Group[1]

Net liquidity of the Porsche SE Group, i.e., cash and cash equivalents, time deposits and securities less loan liabilities, decreased to €931 million as of the end of the quarter (€937 million).

The Porsche SE Group's total assets increased by €544 million from €31,696 million as of 31 December 2017 to €32,240 million as of the end of the quarter.

The non-current assets of the Porsche SE Group as of the end of the quarter totaling €31,259 million (€30,705 million) related primarily to the investments accounted for at equity. These included in particular the carrying amount of the investment in Volkswagen AG accounted for at equity, which increased by €557 million to €30,895 million. This increase resulted in particular from the result from investments accounted for at equity of €967 million. It was counterbalanced by the expenses and income recognized directly in equity (minus €291 million) as well as effects resulting from the first-time application of the new accounting standards (minus €119 million). The investments accounted for at equity also include the carrying amount of the investment in INRIX of €15 million.

Intangible assets of the Porsche SE Group of €330 million (€333 million) primarily contain the goodwill of €213 million resulting from the first-time consolidation of the PTV Group as well as the amortized carrying amounts for customer bases (€62 million), software (€40 million) and brand (€13 million) resulting from the purchase price allocation.

Current assets of €981 million (€991 million) mainly consist of cash and cash equivalents, time deposits and securities.

As of 31 March 2018, the equity of the Porsche SE Group increased to a total of €31,951 million (€31,410 million) in particular due to the group result for the year. The equity ratio remained constant compared to the end of the fiscal year 2017 at 99.1%.

Non-current and current provisions decreased slightly by €2 million to €132 million.

[1] The prior-year figures do not take into account any adjustments from the first-time application of IFRS 9 and IFRS 15 at the level of the Volkswagen Group.

Results of operations of the Volkswagen Group

The following statements relate to the original results of the Volkswagen Group. 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.

In the first three months of 2018, the Volkswagen Group generated revenue of €58.2 billion, up 3.6% on the prior-year period. Volume improvements were offset by negative exchange rate effects. The effects of applying the new International Financial Reporting Standards largely offset each other. Revenue generated abroad accounted for a share of 80.1% (80.0%).

Gross profit was €11.6 billion (€11.4 billion), slightly up on the prior year. The gross margin amounted to 19.9% (20.3%).

In the first quarter of 2018, the Volkswagen Group's operating profit was €4.2 billion, down €0.2 billion on the prior-year level. The operating return on sales declined to 7.2% (7.8%). The fair value measurement gains and losses on certain derivatives, which have had to be reported here since the beginning of the year, reduced operating profit by €0.3 billion. In addition, a lower capitalization ratio for development costs had a negative impact. The main positive effect resulted from the increase in volume.

At €0.3 billion, the financial result was on a level with the prior year (€0.2 billion). Lower interest expenses and the positive effects from the measurement of derivative financial instruments on the reporting date which are used to hedge financing transactions were largely offset by the negative effect of foreign currency measurement. The share of the result of equity-accounted investments was lower than in the prior year, when the remeasurement of the interest in HERE following the acquisition of shares by additional investors had a positive impact. The share of the result of equity-accounted investments in the Chinese joint ventures was slightly up on the prior year.

The Volkswagen Group's result before tax decreased by €0.1 billion year-on-year, to €4.5 billion. The result after tax was down by €0.1 billion to €3.3 billion.

Opportunities and risks of future development

Opportunities and risks at Porsche SE

The report on opportunities and risks at Porsche SE in the combined management report of Porsche SE for the fiscal year 2017 must be updated as of 31 March 2018 with regard to the statements on the current status of the legal proceedings. We refer to the section “Significant events and developments at the Porsche SE Group” in this group quarterly statement. With regard to the presentation of opportunities and risks from investments, the risks relating to the profit contribution from the PTV Group have increased. Beyond this, there were no significant changes compared with the presentation of the opportunities and risks of Porsche SE in the combined management report for the fiscal year 2017.

Opportunities and risks at the Volkswagen Group

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

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

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

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

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

On 22 March 2018, Volkswagen AG, certain affiliates and the Arizona Attorney General notified an Arizona state court that they have reached a settlement of Arizona's consumer protection claims and unfair trade practices claims and expect to complete documentation of the settlement within approximately 30 days.

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

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

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

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

The public prosecutor's office of Stuttgart has opened a criminal investigation.

On 18 April 2018, the EPA and California Air Resources Board approved the second phase of the emissions modification for affected 2.0 l TDI vehicles with Generation 3 engines.

Thereby the approval process for the technical measures for the relevant vehicles with engine type EA 189 has now been completed in all countries with the exception of Chile.

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

On 25 April 2018, Volkswagen AG, certain affiliates and the Maryland Department of the Environment announced an agreement to resolve the State of Maryland's environmental and remaining consumer claims for restitution or injunctive relief. The Maryland settlement includes a Consent Decree, which requires approval by the Maryland state court.

In Germany, around 13,000 product-related individual actions brought by customers in connection with the diesel issue are pending against Volkswagen AG and other Volkswagen Group companies.

Beyond this, there were no significant changes in the reporting period compared with the disclosures on the Volkswagen Group's expected development in fiscal year 2018 in the "Forecast report and outlook" and "Opportunities and risks of future development" sections – including the "Risks from the diesel issue" and "Effects of the diesel issue on legal risks" sections and the underlying description of the issues in the section entitled

“Diesel issue” in the section “Significant events and developments at the Volkswagen Group” – of the combined management report in the 2017 annual report of Porsche SE, as well as the continuing investigations and interviews in connection with the diesel issue and additional important legal cases.

Outlook

Anticipated development of the Volkswagen Group

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

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

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

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

Anticipated development of the Porsche SE Group

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

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

The following earnings forecast is based on the current structure of the Porsche SE Group. Effects from any other future investments of the Porsche SE Group are not taken into account.

Based on the current group structure, in particular on the basis of the Volkswagen Group's expectations regarding its future development and the ongoing existing uncertainties with regard to possible special items in connection with the diesel issue, Porsche SE continues to expect a group result for the year of between €3.4 billion and €4.4 billion for the fiscal year 2018.

As of 31 March 2018, the Porsche SE Group had net liquidity of €931 million. The goal of both Porsche SE and the Porsche SE Group to achieve positive net liquidity remains unchanged. This is expected to be between €0.7 billion and €1.2 billion as of 31 December 2018, not taking future investments into account.

Financial calendar

15 May 2018
Annual general meeting

10 August 2018
Half-yearly financial report 2018

20 November 2018
Group quarterly statement 3rd Quarter 2018

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