PORSCHE SE

Group quarterly statement

1st Quarter 2019

1st Quarter

2019

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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 2019, the Porsche SE Group had 940 employees (31 December 2018: 935 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 in seven European countries: Volkswagen passenger cars, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen commercial vehicles, Scania and MAN. The Porsche SE Group also holds around 100% in PTV Planung Transport Verkehr AG (“PTV AG”), Karlsruhe, shares in INRIX Inc., Kirkland, Washington, USA (“INRIX”), as well as shares in three technology start-ups in the USA.

The principal criteria of Porsche SE for investments are the connection to the automotive value chain, industrial production or the future of mobility. 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. The prerequisites for investment by Porsche SE are always the positioning in an attractive market environment and above-average growth potential.

Porsche SE is currently focusing its search on companies in the area of autonomous driving, electromobility, transport management, innovative production/manufacturing methods as well as innovative mobility offerings.

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 2019, and contains information on the period from 1 January to 15 May 2019.

All figures and percentages are rounded according to customary business practice, 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.

Content

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) 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 of Volkswagen Group with type 2.0 l diesel engines in the USA. This led to authorities in their respective jurisdictions worldwide commencing their own investigations ("diesel issue").

In the period from January to March 2019, the Volkswagen Group's operating result was influenced by negative special items in connection with the diesel issue of minus €981 million. These are due to higher expenses for legal risks, also in connection with the proceedings of the Stuttgart public prosecutor's office against Porsche AG which have meanwhile been concluded.

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 2019, 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. There may also still 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 group management report in the annual report of Porsche SE for the fiscal year 2018.

Porsche SE acquires further ordinary shares in Volkswagen AG

Porsche SE holds the majority of the ordinary shares in Volkswagen AG as a core investment, sees itself as a long-term anchor investor that acts strategically and is also still convinced of the Volkswagen Group's potential for increasing value added. Between early December 2018 and mid-March 2019, Porsche SE acquired a total of 0.9% of the ordinary shares in Volkswagen AG for €397 million in capital market transactions, of which 0.7% or €311 million relates to the period from 1 January to 18 March 2019. As of 31 December 2018 and 31 March 2019, Porsche SE held 52.4% and 53.1% of the ordinary shares in Volkswagen AG, respectively. This step is another demonstration of the company's clear commitment to Volkswagen.

Prof. KR Ing. Siegfried Wolf rounds off supervisory board of Porsche SE

The Stuttgart local court appointed Prof. KR Ing. Siegfried Wolf as member of the supervisory board by court appointment until the next annual general meeting. The annual general meeting in Stuttgart on 27 June 2019 will then decide on his election to serve a full term.

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. 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 determined by it 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. By orders of 11 September 2018 and 19 November 2018 the Higher Regional Court of Celle added four further establishment objectives to the KapMuG-based order of reference and revised several establishment objectives. In 2018 and in April 2019 several hearings were held before the Higher Regional Court of Celle. The next dates are scheduled from 20 May 2019. Since the start of the model case, a large number of motions to recuse judges have been filed by the parties involved on the plaintiff's side. These motions to recuse judges were dismissed in all cases. 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 expansion of the investment in Volkswagen AG are or were pending:

Based on the same alleged claims that are already subject of a momentarily suspended action concerning alleged damages of around €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 ordered 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 High Court of Justice (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 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. The defendant's side filed a motion to recuse judges which has been rejected by court order on 15 April 2019. 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) have been 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 were 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 the combined management report for the fiscal year 2018 in the section "Diesel issue" in the section "Significant events and developments at the Volkswagen Group") the following claims in connection with the acquisition of preference shares of Porsche SE or derivatives relating thereto and, in two matters, regarding shares of Volkswagen AG have been asserted against Porsche SE:

Currently, legal proceedings with a total volume of approximately €1,091 million are pending against Porsche SE before the courts in Stuttgart. The plaintiffs accuse Porsche SE of alleged nonfeasance of capital market information respectively alleged incorrect capital market information in connection with the diesel issue. A part of these proceedings 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. 199 of these actions are pending before the Regional Court of Stuttgart at first instance. The actions concern payment of damages, if quantified, in the total amount of approximately €927 million (plus interest) and in part establishment of liability for damages. Two further proceedings in which further approximately €164 million in damages have been claimed are currently in the appeal instance. On 24 October 2018, the Regional Court of Stuttgart granted these actions in the amount of approximately €47 million and dismissed the actions as to the remainder. Porsche SE and the respective plaintiffs have appealed against the decisions of the Regional Court of Stuttgart rendered on 24 October 2018. In December 2018 Porsche SE has filed motions to recuse the single judge conducting the proceedings in some proceedings. By court order dated 26 April 2019, the Regional Court of Stuttgart declared the motions to recuse the judge to be justified in 162 proceedings. Pursuant to Sec. 348 (2) German Civil Procedural Code (ZPO) the subsequently competent single judge then submitted all the proceedings to the chamber, which took over the proceedings. In one proceeding so far the plaintiff filed a motion to recuse the judges of the Regional Court of Stuttgart who had ruled on the motions for recusal. Porsche SE considers the actions to be without merit.

A part of the plaintiffs of the actions pending before the courts in Stuttgart filed applications for establishment of a model case according to the KapMuG. As a precautionary measure, in case the Regional Court of Stuttgart does not dismiss actions right away, Porsche SE has applied in a total of ten proceedings for the issuance of a KapMuG-based order of reference containing six further specified establishment objectives. The Regional Court of Stuttgart decided on 28 February 2017 with respect to the aforementioned KapMuG motions to refer nine of the establishment objectives asserted by the plaintiffs and the aforementioned six establishment objectives asserted by Porsche SE as a precautionary measure to the Higher Regional Court of Stuttgart. 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. The Regional Court of Stuttgart has suspended in whole or in part the majority of the proceedings with reference to the order of reference by the Regional Court of Stuttgart dated 28 February 2017. The Regional Court of Stuttgart also suspended a number of the proceedings in reference to the order of reference by the Regional Court of Stuttgart dated 6 December 2017 relating to questions of local jurisdiction as well as the order of reference by the Regional Court of Braunschweig regarding lawsuits for damages filed by investors against Volkswagen AG on the grounds of the diesel issue. Following oral proceedings on 6 February 2019, the Higher Regional Court of Stuttgart decided by court orders dated 27 March 2019 that the model case proceedings which were submitted to the court by orders of reference by the Regional Court of Stuttgart dated 28 February 2017 and 6 December 2017 were inadmissible. The appeal on points of law was granted. The Federal Court of Justice confirmed to Porsche SE the receipt of an appeal on points of law against the court order dated 27 March 2019 in the model case proceedings pursuant to order of reference dated 28 February 2017. According to the complainant's representative, the appeal on points of law was preliminarily filed only in order to comply with the time limit. Porsche SE considers the actions in the original proceedings without merit.

According to the current assessment of the partially unclear claims, actions for damages in the amount of approximately €9 million are pending against Porsche SE before the Regional Court of Braunschweig. In each of these cases Porsche SE is jointly sued with Volkswagen AG. The actions are based on alleged claims for damages because of alleged nonfeasance of capital market information or alleged incorrect capital market information. 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 KapMuG-based 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 which was declared inadmissible by the Higher Regional Court of Stuttgart. Thus, Porsche SE is, in addition to Volkswagen AG, model case defendant in the model case proceedings before the Higher Regional Court of Braunschweig. A decision on the suspension of the remaining proceedings against Porsche SE which are still pending before the Regional Court of Braunschweig is still outstanding. By order of 23 October 2018, the Higher Regional Court of Braunschweig dismissed applications by the joined parties for the extension of the model case to include establishment objectives which relate exclusively to alleged claims against Porsche SE. The appeal on points of law was granted. Several oral hearings were held before the Higher Regional Court of Braunschweig. The next hearing is scheduled for 1 July 2019. Porsche SE considers these claims to be inadmissible and to be without merit.

Since August 2018, 106 plaintiffs have registered alleged claims for damages against Porsche SE in connection with the diesel issue in the total amount of approximately €62 million before the Higher Regional Court of Braunschweig within the model case proceedings until the end of the registration period.

11 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 five of the claimants have asserted alleged claims for damages against Porsche SE of about €3.6 million (plus interest) in court.

Since October 2015, 43 persons have made out-of-court claims or initiated conciliatory proceedings against Porsche SE in connection with the diesel issue but have not yet claimed those alleged claims in court. 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 €520,000 (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 these claims.

In a letter dated 30 November 2018, the United States requested Porsche SE to waive the statute of limitations for alleged claims for damages, which are not specified in the terms of amount, in respect of the alleged acquisition of a total of 40,992 Porsche SE preference shares. In a letter of Porsche SE's attorneys dated 6 December 2018 Porsche SE issued a corresponding waiver of limitations to the United States.

Investigation proceedings

The Stuttgart public prosecutor's office 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's office 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 29 June 2016 on the exoneration of the executive board and the supervisory board for the 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.

In November 2018 a shareholder initiated a so-called status proceeding according to Sec. 98 German Stock Corporation Act (AktG) before the Regional Court of Stuttgart requesting the court to find that the supervisory board of Porsche SE should, in derogation from its current composition, consist of half shareholder representatives and half employee representatives. Porsche SE is of the opinion that the supervisory board is duly composed and considers the motion to be without merit.

Significant events and developments at the Volkswagen Group

Partnerships

In January 2019, the Volkswagen passenger cars brand signed a memorandum of understanding with Ethiopia for further expansion of its involvement in the Sub-Saharan Africa region. The memorandum of understanding focuses on four pillars: the establishment of a vehicle assembly facility, localization of automotive component manufacturing, introduction of mobility concepts such as app-based carsharing and ride-hailing, and the opening of a training center.

In March 2019, Volkswagen China and FAW-Volkswagen established a joint venture for advancing connectivity and digitalization of models from FAW-Volkswagen. The two partners are investing around €121 million in the new company, Mobile Online Services Intelligent. The objective is to develop digital services for all models built by FAW-Volkswagen after 2019.

At the end of March 2019, the Volkswagen Group entered into a collaboration with Amazon Web Services aimed at developing the Volkswagen Industrial Cloud together. In future, the plan is for data from all the machinery, equipment and systems at every Volkswagen Group factory to be combined in the cloud. This will help to optimize workflows and processes in production, and enables considerable improvements in future productivity at the plants. The Volkswagen Industrial Cloud thus creates the essential technological prerequisites for achieving the productivity goals in production. In the long term, the global supply chain of the Volkswagen Group with more than 30,000 locations of over 1,500 suppliers and partner companies could also be integrated. The Cloud will be designed as an open industry platform which other partners from industry, logistics and sales may use in the future. Siemens is to be the first major integration partner for this project.

Introducing Elli – Electric Life

The Volkswagen Group is expanding its e-mobility initiative with Elli (Electric Life). Elli will develop products and services related to energy and charging and will supply green electricity not only for vehicles, but also for households. This will be carbon-free, TÜV-certified Volkswagen Naturstrom generated exclusively from renewable sources.

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”. The following statements take into consideration factors influencing operating developments in the passenger cars, commercial vehicles and financial services business areas at the Volkswagen Group.

General economic development

The global economy continued its robust growth in the first three months of 2019 with a decrease in momentum. The average expansion rate of gross domestic product (GDP) in this period was down year-on-year in both the advanced and the emerging market economies. Prices for energy and other commodities decreased on average compared with the prior-year period amid a still comparatively low — albeit higher — interest rate level. In connection with the upheaval in trade policy at international level, international goods trade declined in the first quarter of 2019.

Trends in the markets for passenger cars and light commercial vehicles

Global demand for passenger cars between January and March 2019 was weaker than in the prior-year period (down 5.6%). While new registrations in the Central and Eastern Europe region slightly exceeded the prior-year figure, the overall markets in Western Europe, North America, South America and Asia-Pacific recorded considerable dips in some cases.

Global demand for light commercial vehicles between January and March 2019 was up slightly on the prior year.

Trends in the markets for commercial vehicles

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 moderately higher than the prior-year figure between January and March 2019. Demand for buses in the markets that are relevant for the Volkswagen Group was perceptibly higher in the period from January to March 2019 than in the prior-year period. The markets in Brazil, the United Kingdom and France contributed in particular to this growth.

Volkswagen Group deliveries

The Volkswagen Group delivered 2.6 million vehicles to customers worldwide in the first quarter of 2019. This was 2.8% fewer vehicles than in the prior-year period. While sales figures for the commercial vehicles business area exceeded the prior-year level, there was a decline in the number of models delivered to customers from the passenger cars business area. The Volkswagen commercial vehicles brand has been reported as part of the passenger cars business area since 1 January 2019.

Global demand for the Volkswagen Group's passenger cars and light commercial vehicles was down amid challenging market conditions, falling 3.0% year on year in the reporting period to 2.5 million units. This was mainly attributable to the Chinese market, where demand fell short of the volume seen in the prior year. The SEAT (up 8.9%) and Volkswagen commercial vehicles (up 9.4%) brands performed especially well, both recording the best first quarter in their corporate history. Bentley, Lamborghini and Bugatti also increased their deliveries. The Volkswagen passenger cars, Audi, ŠKODA and Porsche brands fell short of their high prior-year levels. The main reasons were the changeover to the WLTP, model changes and declining markets, particularly China. In the Western Europe and South America regions, demand for the Volkswagen Group's passenger cars and light commercial vehicles exceeded the equivalent prior-year figure, while fewer vehicles were delivered to customers in Central and Eastern Europe, North America and Asia-Pacific.

In the first three months of 2019, the Volkswagen Group delivered a total of 57 thousand commercial vehicles to customers worldwide (up 7.4%). Trucks accounted for 50 thousand units (up 6.5%) and buses for 4 thousand units (down 17.6%). Deliveries of light commercial vehicles of the MAN brand amounted to 3 thousand units.

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

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

	2019	2018	Change %
Regions			
Europe/Other markets	1,239,349	1,239,873	0.0
North America	216,662	221,048	– 2.0
South America	131,460	128,663	2.2
Asia-Pacific	1,018,092	1,090,237	– 6.6
Worldwide	**2,605,563**	**2,679,821**	**– 2.8**
by brands			
Volkswagen passenger cars	1,456,386	1,525,300	–4.5
Audi	447,247	463,759	–3.6
ŠKODA	307,617	316,716	–2.9
SEAT	151,612	139,235	8.9
Bentley	2,268	2,198	3.2
Lamborghini	1,992	1,124	77.2
Porsche	55,700	63,478	–12.3
Bugatti	20	17	17.6
Volkswagen commercial vehicles	125,558	114,773	9.4
Scania	23,576	22,640	4.1
MAN	33,587	30,581	9.8

1 Prior-year deliveries have been updated or amended to reflect subsequent statistical trends and the changed reporting structure. The figures include the Chinese joint ventures.

Sales and production in the Volkswagen Group
In the first three months of 2019, the Volkswagen Group's unit sales to the dealer organization[1] (including the Chinese joint ventures) fell by 6.7% on the prior-year period to 2.6 million vehicles. This was due to lower demand, especially in China, Turkey and Argentina.

Between January and March 2019, the Volkswagen Group's production decreased by 2.6% year on year to a total of 2.6 million vehicles. Production in Germany fell by 14.2% to 554,000 units. The proportion of production in Germany declined to 20.9% (23.7%).

Inventories in the Volkswagen Group
Global inventories at group companies and in the dealer organization were higher on 31 March 2019 than at year-end 2018, and also exceeded the corresponding prior-year figure.

Financial services of the Volkswagen Group
The financial services division includes the Volkswagen Group's dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility offerings. The division comprises Volkswagen financial services and the financial services activities of Scania and Porsche Holding Salzburg. Since 1 January 2019, contracts signed by Volkswagen's international joint ventures have also been included.

The financial services division's products and services were very popular in the period from January to March 2019. The number of new financing, leasing, service and insurance contracts was 2.1 million (2.1 million) worldwide. The ratio of leased and financed vehicles to group deliveries (penetration rate) in the financial services division's markets amounted to 33.8% (33.1%) in the reporting period. As of 31 March 2019, the total number of contracts was 22.7 million, up 2.6% on the figure as of 31 December 2018.

Employees in the Volkswagen Group
At the end of the first quarter of 2019, the Volkswagen Group had a total of 665,260 employees worldwide. This was on a level with the figure at year-end 2018. At 292,437, the number of employees in Germany was also on a level with the end of 2018.

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

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 of the Porsche SE Group are presented for the first three months of the fiscal year 2019 and as of 31 March 2019. While the prior-year figures for the results of operations and cash flows relate to the period from 1 January to 31 March 2018, the net assets use figures as of 31 December 2018 as comparative figures.

Since 1 January 2019, the Porsche SE Group has accounted for leases in accordance with the requirements of IFRS 16 using the modified retrospective method. Prior-year periods have not been restated. Applying IFRS 16 did not result in any significant impact on the presentation of the results of operations, financial position and net assets; as a result, net liquidity decreased by €26 million.

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”), comprises the development of smart software solutions for transport logistics as well as traffic planning and traffic management. The results of operations of the Porsche SE Group are mainly the sum of the two segments, as the reconciliation effects are immaterial.

Results of operations of the Porsche SE Group

The Porsche SE Group’s result for the period came to €1,141 million (€951 million) in the first quarter of the fiscal year 2019. Of this, €1,145 million (€957 million) related to the PSE segment. For the ITS segment, a result for the period of minus €4 million (minus €6 million) was derived, taking into consideration negative effects from the purchase price allocation amounting to €2 million (€2 million).

The result for the year for the PSE segment was significantly influenced by the result from the investment in Volkswagen AG accounted for at equity of €1,159 million (€967 million). This contained profit contributions from ongoing equity accounting of €910 million (€990 million), preliminary income from the acquisition of further ordinary shares of €265 million (€0 million) as well as subsequent effects from purchase price allocations of minus €16 million (minus €23 million). The preliminary income from the acquisition of further ordinary shares was mainly attributable to the fact that the fundamental data for the Volkswagen Group used particularly in the valuation of the brands and the investments accounted for at equity when calculating the pro rata revalued equity were not fully reflected in the share price and therefore the acquisition costs. The income disclosed is based partly on valuations from a purchase price allocation in the past and is thus regarded as provisional. The purchase price allocation had not yet been completed when the group quarterly statement was being prepared.

Other operating expenses in the PSE segment and personnel expenses were on a par with the prior year at €4 million and €3 million, respectively. The positive financial result of €7 million (€0 million) was primarily attributable to profit contributions from financial instruments measured at fair value and from derivatives. The deferred income tax expense of €14 million (€3 million) was primarily due to the increase in the carrying amount of the investment in Volkswagen AG accounted for at equity as well as the countereffect from the increase in deferred tax assets on loss carryforwards.

The ITS segment generated revenue of €25 million (€18 million) in the reporting period. The increase was largely due to higher revenue from hosting and maintenance services as well as the project business. There was a smaller increase in inventories compared to the prior-year period. Furthermore, personnel expenses were up slightly on the prior-year period. Overall, the segment result before taxes improved from minus €8 million to minus €4 million.

Financial position and net assets of the Porsche SE Group

Net liquidity of the Porsche SE Group, i.e., cash and cash equivalents, time deposits and securities less financial liabilities, decreased to €527 million (€864 million) as of the end of the quarter mainly due to acquisitions of further ordinary shares in Volkswagen AG and taking into consideration IFRS 16 effects.

The Porsche SE Group's total assets increased by €463 million from €33.7 billion as of 31 December 2018 to €34.2 billion as of the end of the quarter.

The non-current assets of the Porsche SE Group as of the end of the quarter totaling €33.6 billion (€32.8 billion) 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 €746 million to €33.2 billion. This increase resulted from the purchase of further ordinary shares of €311 million and from the result from investments accounted for at equity of €1,159 million. It was counterbalanced by the expenses and income recognized through other comprehensive income as well as other changes in equity of minus €724 million.

As of 31 March 2019, intangible assets of the Porsche SE Group of €251 million (€255 million) primarily contained the goodwill of the PTV Group of €147 million (€147 million) as well as the amortized carrying amounts for customer bases of €55 million (€57 million), software of €35 million (€36 million) and brand of €12 million (€13 million) resulting from the purchase price allocation. Property, plant and equipment increased from €7 million to €33 million as of the end of the quarter as a result of recognizing right-of-use assets in connection with the first-time application of IFRS 16.

Current assets of €604 million (€916 million) mainly consisted of cash and cash equivalents, time deposits and securities.

As of 31 March 2019, the equity of the Porsche SE Group increased to a total of €33.8 billion (€33.4 billion) in particular due to the group result for the year. The equity ratio decreased slightly from 99.1% as of the end of the fiscal year 2018 to 99.0% on 31 March 2019.

Results of operations of the Volkswagen Group

The following statements relate to the original results of the Volkswagen Group. This means that effects from at equity 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, are not taken into consideration. It should also be noted that the group result of Porsche SE only reflects its capital share in the result of the Volkswagen Group.

The Volkswagen Group accounts for leases in accordance with IFRS 16, using the modified retrospective method, for the first time as of 1 January 2019. Prior-year periods have not been restated. The new approach results in a slight increase in operating result in 2019, because the only items allocated to operating result as from 1 January 2019 are depreciation charges on right-of-use assets. Interest expense on lease liabilities in the automotive division is recognized in the financial result and has a corresponding negative impact here.

The Volkswagen Group's revenue in the first quarter of 2019 amounted to €60.0 billion, 3.1% more than in the prior year. The rise, which occurred despite declines in volumes, is mainly the result of mix and price improvements and the healthy business performance in the financial services division. The Volkswagen Group generated 79.7% (80.1%) of its revenue outside Germany.

At €11.7 billion (€11.6 billion), gross profit was in line with the prior year. The gross margin amounted to 19.5% (19.9%). The Volkswagen Group's operating result before special items improved by €0.6 billion in the first three months of 2019 to €4.8 billion, while the operating return on sales before special items increased to 8.1% (7.2%).

Positive effects arising from the fair value measurement of certain derivatives, improvements in the mix and price positioning, and the favorable exchange rate trend more than offset the rise in fixed costs and lower vehicle sales. Special items in connection with the diesel issue amounting to minus €1.0 billion weighed on the operating result. As a result, the Volkswagen Group's operating result of €3.9 billion recorded in the period from January to March 2019 was €0.3 billion lower than in the prior year. The operating return on sales declined to 6.4% (7.2%).

The financial result was virtually unchanged at €0.2 billion (€0.3 billion). Higher interest expenses arising from the interest cost on provisions and from the application of the new IFRS 16 was offset by higher income from financial investments. The share of the result of equity-accounted investments and the result of the Chinese joint ventures included in that amount were on a level with the prior year.

The Volkswagen Group's result before tax was down on the prior-year period, at €4.1 billion (€4.5 billion). Profit for the period decreased by €0.2 billion to €3.1 billion.

Opportunities and risks of future development

Opportunities and risks of the Porsche SE Group

Regarding the risk areas and their risk assessments presented in the risk report on opportunities and risks at the Porsche SE Group in the combined management report for the fiscal year 2018, there were no changes up to the reporting date. For the current status of the legal proceedings of Porsche SE and for current developments, reference is made to the section “Significant events and developments at the Porsche SE Group” in this group quarterly statement.

Opportunities and risks at the Volkswagen Group

Special items resulting from the diesel issue had a negative impact on the operating result in the reporting period. The forecast for the operating result before special items for the Volkswagen Group and the passenger cars business area remains unchanged. Volkswagen has reduced the forecast for the operating result including special items for the fiscal year 2019.

In particular, the status of the legal proceedings at the level of the Volkswagen Group is updated in the interim report of the Volkswagen Group. Beyond this, there were no significant changes in the reporting period compared with the disclosures on the Volkswagen Group’s expected development in the fiscal year 2019 in the “Forecast report and outlook” and “Opportunities and risks of the Volkswagen Group” sections – including 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 2018 annual report of Porsche SE.

In particular, there continue to be no conclusive findings or assessments of facts available to the board of management of Volkswagen AG as of the date of publication of the Volkswagen interim report that would suggest that a different assessment of the associated risks should have been made.

Outlook

Anticipated development of the Volkswagen Group

The Volkswagen Group is well prepared overall for the future challenges pertaining to the automobility business and the mixed developments in regional vehicle markets. Its brand diversity, presence in all major world markets, broad and selectively expanded product range, and pioneering technologies and services put the Volkswagen Group in a good competitive position worldwide. As part of the transformation of its core business, Volkswagen is positioning its group brands with a stronger focus on their individual characteristics and optimizing the vehicle and drive portfolio. The focus hereby is primarily on its vehicle fleet's carbon footprint and on 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 its toolkits.

The Volkswagen Group expects that deliveries to customers in 2019 will slightly 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 more stringent WLTP requirements.

Volkswagen expects the revenue of the Volkswagen Group and its passenger cars and commercial vehicles business areas to grow by as much as 5% year on year. In terms of the operating result before special items for the group and the passenger cars business area, the Volkswagen Group forecasts an operating return on sales in the range of 6.5 — 7.5% in 2019. For the commercial vehicles business area, it anticipates an operating return on sales of between 6.0% and 7.0%. In the power engineering business area, Volkswagen expects a loss around the prior-year level amid a slight rise in revenue. For the financial services division, it is forecasting a moderate increase in revenue and an operating result at the prior-year level.

After special items, Volkswagen anticipates that the operating return on sales will be at the lower end of the expected range for both the group and the passenger cars business area.

Anticipated development of the Porsche SE Group

The result of the Porsche SE Group is largely dependent on the result from investments accounted for at equity that is attributable to Porsche SE and therefore on the earnings situation of the Volkswagen Group.

The forecast result of the Porsche SE Group is therefore largely based on the Volkswagen Group's expectations regarding its future development. While the result for the year of the Volkswagen Group is included in the forecast of the Porsche SE Group, the forecast of the Volkswagen Group is based only on its operating result. As a result, effects outside of the operating result at the level of the Volkswagen Group do not affect its forecast, although they do have a proportionate effect on the amount of the Porsche SE Group's forecast result for the year.

The expectations of the Volkswagen Group regarding future development were therefore expanded on by the executive board of Porsche SE. This also includes the expectations of the executive board of Porsche SE regarding the profit contributions from investments that are included in the financial result of the Volkswagen Group.

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, the Porsche SE Group continues to expect a group profit for the year of between €3.4 billion and €4.4 billion for the fiscal year 2019.

As of 31 March 2019, the Porsche SE Group had net liquidity of €527 million. The goal of the Porsche SE Group to achieve positive net liquidity remains unchanged. This is expected to be between €0.3 billion and €0.8 billion as of 31 December 2019, not taking future investments into account.

Glossary

Selected terms at a glance

Gross margin
Gross margin is the percentage of revenue attributable to gross profit of the Volkswagen Group in a period. Gross margin provides information on profitability net of cost of sales.

Equity ratio
The equity ratio measures the percentage of total assets attributable to shareholders' equity as of a reporting date. This ratio indicates the stability and financial strength of the company and shows the degree of financial independence.

Operating result
The revenue of the Volkswagen Group, which does not include the figures for its equity-accounted Chinese joint ventures, reflects the market success of the Volkswagen Group in financial terms. Following adjustment for its use of resources, the operating result reflects the actual business activity of Volkswagen and documents the economic success of its core business.

Operating return on sales
The operating return on sales of the Volkswagen Group is the ratio of the operating result to revenue.

Financial calendar

27 June 2019
Annual general meeting

7 August 2019
Half-yearly financial report 2019

12 November 2019
Group quarterly statement 3rd Quarter 2019

This group quarterly statement is available in German and English.

In case of doubt the German version is binding.

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