PORSCHE SE

Group quarterly statement

1st Quarter

2022

Content

Business development

1st Quarter 2022

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 2022, the Porsche SE Group had 32 employees (882 employees). In addition to employees at Porsche SE, the comparative figure as of 31 December 2021 also includes employees at PTV Planung Transport Verkehr GmbH, Karlsruhe ("PTV"), with its subsidiaries (together the "PTV Group").

Porsche SE is a holding company with investments in the areas of mobility and industrial technology. In particular, it holds the majority of the ordinary shares in Volkswagen AG, one of the leading automobile manufacturers in the world. As the parent company of the Volkswagen Group, Volkswagen AG directly and indirectly holds investments in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Dr. Ing. h.c. F. Porsche AG ("Porsche AG"), TRATON SE ("TRATON"), Volkswagen Financial Services AG, Volkswagen Bank GmbH as well as in numerous other companies in Germany and abroad. In addition to the investment in Volkswagen AG, the Porsche SE Group holds non-controlling interests in eight technology companies based in the USA, Israel, Luxembourg and Germany.

The investment strategy of Porsche SE aims to create sustainable value for its shareholders. This is based on the increase in value of assets under management as well as dividend distributions. The investments of Porsche SE fall into two categories. The first category includes the long-term core investment in Volkswagen AG. The second category comprises portfolio investments that Porsche SE generally holds for a temporary period of time. Typically, such investments are characterized by their high potential for growth and for increasing value during the holding period. The sector focus in both investment categories is on mobility and industrial technology.

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 2022.

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.

Significant events and developments at the Porsche SE Group

Covid-19 pandemic

The global spread of the Omicron variant of coronavirus (SARS-CoV-2) continued to have a substantial impact on social and economic life in the first quarter of 2022 in some regions. Particularly in China, local infection outbreaks led to tight restrictions under the zero-Covid strategy being pursued there, resulting in economic damage and disruption to supply chains.

Russia-Ukraine conflict

In the first three months of 2022, the Russia-Ukraine conflict led to a humanitarian crisis and global market upheaval. There were substantial price rises particularly on the energy and commodity markets. Parts supply shortages, especially for wire harnesses, also intensified in this context. The Russia-Ukraine conflict led to increased uncertainty in respect of developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia ranging from extensive trade embargoes to the exclusion of Russia from the global financial system.

Significant developments with regard to the investment in Volkswagen AG accounted for at equity

Due to its share in capital of Volkswagen AG, Porsche SE is significantly influenced by the developments at the level of the Volkswagen Group.

The group result after tax and non-controlling interests of the Volkswagen Group increased to €6.6 billion in the first quarter of 2022 compared to €3.2 billion in the prior-year period. From January to March 2022, negative special items in connection with the diesel issue affected the operating result in an amount of €0.1 billion (€0.0 billion). They largely result from additional expenses for legal risks. Furthermore, the Covid-19 pandemic and the measures taken around the world to contain it as well as the semiconductor shortage had a significant impact on business (see also sections “Business development” and “Results of operations of the Volkswagen Group”).

As of 31 March 2022, there were no indicators on the basis of the earnings forecasts of an impairment loss on the investment in Volkswagen AG accounted for at equity. However, an impairment in the carrying amount of the investment cannot be ruled out, particularly in the event of any sustained decline in earnings, for example due to the effects of the Covid-19 pandemic, shortages of intermediates, in particular semiconductors, and commodities, the Russia-Ukraine conflict and/or a further increase in the costs of mitigating the diesel issue. This may also have consequences for the dividend policy of Volkswagen AG and therefore for the cash inflows at the level of Porsche SE. Please refer to the explanations in the section “Opportunities and risks of future development” in the combined management report for the fiscal year 2021.

Porsche SE acquires preference shares in Volkswagen AG

In the period from 29 March 2022 to 6 May 2022, Porsche SE acquired preference shares in Volkswagen AG for around €400 million, of which €34 million relates to the period until the quarterly closing date. This increased Porsche SE’s shareholding in Volkswagen AG to 31.9% of subscribed capital; the share as of the quarterly closing date amounted to 31.5%. Porsche SE’s shareholding in the ordinary shares in Volkswagen AG remains unchanged at 53.3%. Porsche SE is still fully committed to the company’s role as Volkswagen AG’s long-term anchor shareholder and is convinced of the Volkswagen Group’s potential for increasing value added.

Completion of the sale of the investment in PTV to Bridgepoint

In October 2021, Bridgepoint Advisers Limited (“Bridgepoint”), London, UK, and Porsche SE entered into a partnership to advance the development of PTV. The transaction was completed in January 2022 once all closing conditions had been met. Bridgepoint now has a shareholding in PTV of around 60%, while Porsche SE indirectly holds a significant stake of around 40% in the company. Porsche SE received a cash inflow of around €0.2 billion from this transaction in the first quarter of the fiscal year 2022. As a result of the deconsolidation, around €0.1 billion in income was recorded in the result from discontinued operations.

In March 2022, Porsche SE, together with Bridgepoint, acquired the Econolite Group, Inc. (“Econolite”), Anaheim, California, USA. Together with PTV, this will create a world-leading technological provider of forward-looking infrastructure and traffic solutions. PTV and Econolite are being combined under the joint holding company European Transport Solutions S.à r.l. (“ETS”). To finance the purchase price, Porsche SE will participate in a capital increase with an amount in the low double-digit million range. With a non-controlling share of around 10%, the previous owners of Econolite will have a stake in the new group, thereby proportionately reducing Porsche SE’s and Bridgepoint’s shareholding in the combined group comprising PTV and Econolite. The transaction, which is subject to competition clearances, is scheduled to complete by mid-2022.

Possible IPO of Porsche AG

On 24 February 2022, Porsche SE announced that the board of management of Porsche SE had resolved, with the approval of the supervisory board, to further examine the feasibility of a possible initial public offering (“IPO”) of Porsche AG on the basis of talks held to date with Volkswagen AG and to support it in principle. Porsche SE and Volkswagen AG entered into a cornerstone agreement, which summarizes the content of the talks held to date and forms a basis for the next steps of preparation for a possible IPO. The actual feasibility of an IPO depends on a number of different parameters as well as general market conditions. No final decisions have been made. Moreover, the agreements in the cornerstone agreement for a possible IPO are subject to numerous conditions, including the final approval of the boards of both parties.

According to the current status of the talks, in the event of an IPO, the share capital of Porsche AG would be divided into 50% preference shares and 50% ordinary shares and, in the course of a possible IPO, approximately 25% of the preference shares would be placed on the capital market. In connection with a possible IPO, Porsche SE would acquire 25% plus one share of the ordinary shares of Porsche AG from Volkswagen AG for the placement price of the preference shares plus an additional premium of 7.5%. There is no intention to list the ordinary shares on the stock exchange. With the positive support of a possible IPO of Porsche AG, Porsche SE is supporting the plans of Volkswagen AG to expand the financial flexibility of Volkswagen AG and increase the entrepreneurial opportunities of Porsche AG. Volkswagen AG would still include Porsche AG in its consolidated financial statements by way of full consolidation following the implementation of an IPO, while in the future Porsche SE would include the shares in Porsche AG in the consolidated financial statements of Porsche SE as associate using the equity method. It is also planned to continue the industrial cooperation between Volkswagen AG and Porsche AG even after a possible IPO.

The parties have further agreed that, in the event of an IPO of Porsche AG, Volkswagen AG will propose to its shareholders to pay out a special dividend equivalent to 49% of the total gross proceeds of the placement of the preference shares and the sale of the ordinary shares. Such a proposal of a special dividend will be approved by Porsche SE.

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

Porsche SE is involved in various legal proceedings. The main developments that occurred in the legal proceedings during the reporting period are described in the following. Porsche SE continues not to have reliable findings or assessments that would lead to a different evaluation of the legal risks.

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

A model case according to the Capital Markets Model Case Act (KapMuG) against Porsche SE initiated by an order of reference of the Regional Court of Hanover dated 13 April 2016 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 increase of the investment in Volkswagen AG. In part these claims are also based on alleged violations of antitrust regulations. In the six initial proceedings suspended with reference to the model case, a total of 40 plaintiffs are asserting alleged claims for damages of about €5.4 billion (plus interest). Since the beginning of the model case, several hearings have already been held before the Higher Regional Court of Celle, in which the court, inter alia, explained its preliminary view on the state of affairs and of the dispute. The next hearings are scheduled to begin on 23 May 2022. Porsche SE is of the opinion that the claims asserted in the suspended initial proceedings are without merit and that the requested establishment objectives in the model case will be rejected. Porsche SE considers its opinion endorsed by the previous development of the oral hearing before the Higher Regional Court of Celle.

In a proceeding pending before the Regional Court of Frankfurt against an incumbent and a former, meanwhile deceased, member of the supervisory board of Porsche SE, Porsche SE joined as intervener in support of the defendants. In this proceeding the same alleged claims are asserted that are already subject of a currently suspended action concerning alleged damages of about €1.81 billion (plus interest) pending against Porsche SE before the Regional Court of Hanover. No new developments occurred in this proceeding during the reporting period. Porsche SE considers these claims to be without merit.

Since 2012, Porsche SE and two companies of an investment fund have been in dispute over the existence of alleged claims in the amount of about US$195 million and have filed lawsuits in Germany and England respectively. 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 commenced in the Regional Court of Stuttgart concerning the question of which court is the court first seized. A final decision on this issue continues to be outstanding. Currently, the proceedings are pending before the Higher Regional Court of Stuttgart. On 21 December 2021, the Regional Higher Court of Stuttgart decided that further witnesses shall be interrogated in the United Kingdom by way of a request for mutual legal assistance. Porsche SE considers the action filed in England to be inadmissible and the asserted claims to be without merit.

Legal proceedings and legal risks in connection with the diesel issue

In connection with the diesel issue, legal proceedings with a total volume of approximately €1.1 billion (plus interest) are pending against Porsche SE before the Regional Court of Stuttgart, the Higher Regional Court of Stuttgart and the Regional Court of Braunschweig. The plaintiffs accuse Porsche SE of alleged nonfeasance of capital market information or alleged incorrect capital market information in connection with the diesel issue. Some of these proceedings are directed against both Porsche SE and Volkswagen AG. Porsche SE considers the actions to be inadmissible in part, but in any case to be without merit.

Before the Regional Court of Stuttgart 205 actions are currently pending at first instance. The actions pending at first instance concern payment of damages, if quantified, in the total amount of approximately €789.9 million (plus interest) and in part establishment of liability for damages.
23 claims for damages against Porsche SE, with a claim volume (according to the current assessment of the partially unclear head of claims) of approximately €10 million (plus interest), are pending before the Regional Court of Braunschweig. A number of the proceedings pending before the Regional Court of Stuttgart and the Regional Court of Braunschweig are currently suspended with reference to the KapMuG proceedings pending before the Higher Regional Court of Stuttgart and the Higher Regional Court of Braunschweig. Porsche SE considers the actions filed against it before the Regional Court of Stuttgart to be without merit. The actions filed against Porsche SE before the Regional Court of Braunschweig are considered by Porsche SE to be inadmissible and to be without merit.

In addition, two further proceedings, in which a total of further approximately €129 million (plus interest) in damages was claimed, are pending before the Higher Regional Court of Stuttgart on appeal. In one of the appeal proceedings in which approximately €5.7 million (plus interest) in damages was claimed, the Regional Court of Stuttgart had granted the action in the amount of approximately €3.2 million (plus interest) and otherwise dismissed the action on 24 October 2018. Porsche SE and the plaintiff filed appeals. In the further proceeding, which is partly on appeal, plaintiffs object to the fact that the Regional Court of Stuttgart dismissed their actions as inadmissible on 26 August 2021. The amount in dispute is approximately €124 million (plus interest). Porsche SE considers these actions pending against it before the Higher Regional Court of Stuttgart to be without merit.

In an additional appeal proceeding in which approximately €158 million (plus interest) in damages were claimed, the Higher Regional Court of Stuttgart dismissed the action by decision of 12 April 2022 in its full amount for lack of a damage. The decision is not yet binding.

A KapMuG proceeding, initiated by order for reference of the Regional Court of Stuttgart of 28 February 2017, is pending before the Higher Regional Court of Stuttgart. On 22 October 2020, the Higher Regional Court of Stuttgart appointed a model case plaintiff. Until now, three oral hearings have taken place before the Higher Regional Court of Stuttgart. The next hearing is scheduled for 13 July 2022. Further oral hearings are currently not determined.

Following corresponding orders to suspend the proceedings by the Regional Court of Braunschweig and the courts of Stuttgart, Porsche SE became a further model case defendant in the model case proceedings before the Higher Regional Court of Braunschweig. The Higher Regional Court of Braunschweig issued a meanwhile binding partial model case ruling regarding questions of jurisdiction. Several oral hearings have taken place before the Higher Regional Court of Braunschweig. The next oral hearing is set to take place on 14 June 2022.

During the reporting period, no significant new developments occurred with regard to claims asserted out of court and not yet brought to court against Porsche SE with a total amount of approximately €63 million and in some cases without defined amounts as well as with regard to the waiver of the statute of limitations defense granted by Porsche SE to the United States of America for alleged claims for damages.

In connection with the diesel issue, in April 2021, two plaintiffs filed a derivative action against Porsche SE, current and former members of the management and supervisory boards of Volkswagen AG, current and former executives of Volkswagen AG and its subsidiaries, four Volkswagen AG subsidiaries and others in the Supreme Court of the State of New York, County of New York. The plaintiffs claim to be shareholders of Volkswagen AG and allege claims of Volkswagen AG on its behalf. The action is based, inter alia, on an alleged violation of duties vis-à-vis Volkswagen AG pursuant to the AktG [“Aktiengesetz”: German Stock Corporation Act] and the German Corporate Governance Code (DCGK). The plaintiffs request, inter alia, a declaration that the defendants have breached their respective duties vis-à-vis Volkswagen AG, and an award to Volkswagen AG as compensation for the alleged damages it sustained as a result of the alleged violation of duties, plus interest. In September 2021, the parties filed a stipulation, which is subject to court approval, accepting service on behalf of certain defendants including Porsche SE, staying all discovery and setting a motion to dismiss briefing schedule.

Status proceedings regarding the composition of Porsche SE’s supervisory board

So-called status proceedings were initiated against Porsche SE before the Regional Court of Stuttgart. With applications dated 11 July 2021 and 18 July 2021, the applicant has asked the court to find that Porsche SE’s supervisory board is to be composed of half shareholder representatives and half employee representatives. Porsche SE considers this application to be inadmissible and without merit.

Significant events and developments at the Volkswagen Group

Russia-Ukraine conflict

The start of the Russia-Ukraine conflict in February 2022 led not only to a humanitarian crisis but also brought market upheaval around the world. There were substantial price rises particularly on the energy and commodity markets. Parts supply shortages also worsened in this context. In the Volkswagen Group, this has particularly affected the supply of wire harnesses from Ukraine. Volkswagen has already taken measures to clear these supply bottlenecks.

Moreover, different sanctions have been imposed on Russia as a result of the conflict, especially by the EU and the USA. They restrict economic transactions with Russia and have an impact on the Russian companies and plants of the Volkswagen Group and on sales of vehicles to Russia. In addition, the sanctions affect the new financial services business in Russia and could potentially give rise to impairment risks to existing lease assets and financial receivables. Against the backdrop of the Russia-Ukraine conflict and the resulting consequences, Volkswagen has decided to suspend vehicle production in Russia until further notice. Vehicle exports to Russia have also been halted.

Triggered by the direct impact of the Russia-Ukraine conflict, expenses in the mid-three-digit million euro range relating to loss allowances and risk provisions were recognized at the level of the Volkswagen Group in the first quarter of 2022.

In light of the Russia-Ukraine conflict, impairment tests were conducted on material assets of the Volkswagen Group, especially goodwill, brand names, capitalized development costs and property, plant and equipment, as of 31 March 2022. Apart from the impairment losses recognized in response to the direct effects described above, at the level of the Volkswagen Group the tests conducted to establish recoverability have not resulted in any further need at present to recognize impairment losses on the material cash-generating units of the Volkswagen Group.

As a result of the turbulence on the commodity and capital markets, at the level of the Volkswagen Group gains totaling €3.5 billion had to be recognized in the other operating result, primarily from the fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedges).

Partnerships

As part of the strategic alliance between Volkswagen and the Ford Motor Company, which encompasses e-mobility, the commercial vehicles business and autonomous driving, a further agreement was reached to expand collaboration on the MEB (Modular Electric Toolkit) electric platform. Under this agreement, Ford is set to double its planned volume to 1.2 million vehicles over a six-year timeframe in order to produce another electric model in Europe in the future based on the MEB.

Volkswagen is sharing the MEB and other group platforms with partner companies so as to boost e-mobility around the world and aims to establish a second area of activity as an e-mobility platform provider alongside its core business.

Establishment of Brose Sitech Sp. z o.o.

Following the fulfillment of all closing conditions, Brose Fahrzeugteile SE & Co. Kommandit-gesellschaft ("Brose") and Volkswagen Finance Luxemburg S.A., a subsidiary of Volkswagen AG, created a jointly operated company in early 2022 for the development and manufacture of complete seat units, seat structures and components, and solutions for vehicle interiors. As part of this arrangement, Brose acquired half of the shares in the previous Volkswagen Group company SITECH Sp. z o.o., Polkowice, Poland. Brose and Volkswagen each hold 50% of the jointly operated company, with Brose taking the industrial lead and controlling the company. Brose Sitech Sp. z o.o. ("Brose Sitech") has been operating on the global market as an independent supplier of seat systems since 1 January 2022 with a total of eight sites in Poland, Germany, China and the Czech Republic. Brose Sitech intends to further expand its business with the Volkswagen Group and also supply other automakers with seat systems. In the long term, Brose Sitech's portfolio is to be expanded to include innovative solutions for the entire vehicle interior, since e-mobility and autonomous driving are increasing the importance of the interior and seats as a distinguishing feature.

Business development

The business development of the Porsche SE Group is largely shaped by its investment in Volkswagen AG as well as the development of the actions pending. For the business development of the Porsche SE Group, 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 and light commercial vehicles, commercial vehicles and financial services business areas at the Volkswagen Group.

General economic development

The Russia-Ukraine conflict led to increased uncertainty in respect of developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia ranging from extensive trade embargoes to the exclusion of Russia from the global financial system. The resulting higher commodity prices and supply shortages are reinforcing the threat of persistently high inflation.

In the first quarter of 2022, the restrictive measures put in place to protect the population from the SARS-CoV-2 virus were lifted to a large extent in many countries. The progress made by many countries in administering vaccines to their populations had a positive effect, while the emergence of the new Omicron variant of the virus led to renewed sharp rises in infections on a national scale, mostly causing milder symptoms but increased rates of sick leave.

Following the slump in global economic output in 2020 and the incipient recovery due to base and catch-up effects in 2021, economic growth in both the advanced economies and the emerging markets remained on course for recovery on average, albeit with diminishing momentum. At national level, developments in the reporting period depended on the one hand on the scale of the negative impact of the Covid-19 pandemic and the intensity with which measures were taken to contain it, and on the other on the extent to which national economies were affected by the consequences of the Russia-Ukraine conflict. In response to the further rise of inflation rates around the world, many countries abandoned their expansionary monetary policy, which led central banks to increase their key interest rates during the reporting period. On average, prices for energy and other commodities once again rose significantly year on year and shortages of intermediates and commodities grew more severe. Global trade in goods increased in the reporting period.

Trends in the markets for passenger cars and light commercial vehicles

Between January and March 2022, the volume of the passenger car market worldwide noticeably declined as a whole compared with the same quarter of the prior year (down 9.0%), negatively impacted primarily by bottlenecks and disruption in the global supply chains as a consequence of the semiconductor shortage, the coronavirus pandemic and the repercussions of the Russia-Ukraine conflict. Only the overall market of the Africa region posted an increase; all other sales regions were affected by losses. The Western Europe, Central and Eastern Europe, North America and South America regions saw a significant drop in new registrations. Sales volume was slightly weaker in the Middle East region and distinctly weaker in the Asia-Pacific region.

Global volume of new registrations of light commercial vehicles between January and March 2022 was distinctly lower than the prior-year level.

Trends in the markets for commercial vehicles

Since 1 July 2021, Navistar has been a TRATON GROUP brand, making it part of the Volkswagen Group's commercial vehicles business area. This has broadened the relevant markets in the commercial vehicles business, both for trucks and for the school bus segment, which expanded to include North America (consisting of USA, Canada and Mexico).

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 slightly lower in the reporting period than in the prior year. Worldwide, the truck markets were at the prior-year level.

In the first three months of 2022, there was a slight decrease in demand overall in the bus markets that are relevant for the Volkswagen Group compared with the same period of the prior year.

Trends in the markets for financial services

Demand for automotive financial services was buoyant in the first quarter of 2022 due, among other things, to the persistently low key interest rates in the main currency areas. Nevertheless, the Covid-19 pandemic and the vehicle availability which continued to be limited due to parts supply shortages put pressure on the demand for financial services in almost all regions.

Volkswagen Group deliveries

The Volkswagen Group delivered 1.9 million vehicles to customers worldwide from January to March 2022. This was 21.9% or 0.5 million units less than in the same period of the prior year. While sales figures for the passenger cars business area fell short of the prior-year figure, sales in the commercial vehicles business area were higher than in the prior year. It is important to note that Navistar was not included in the figure for the prior year because it was only integrated as of 1 July 2021.

Sales of Volkswagen Group passenger cars and light commercial vehicles worldwide from January to March 2022 declined by 22.8% year on year to 1.8 million units. In addition to the uncertainty and measures taken around the world to deal with the Covid-19 pandemic, persistent shortages of semiconductors and the resulting limited availability of Volkswagen Group models meant that demand could not be adequately met in some regions. From late February 2022 onwards, the Russia-Ukraine conflict also created further parts supply shortages and greater uncertainty in the markets. None of the Volkswagen Group brands except Lamborghini reached their prior-year figures. Volkswagen registered a year-on-year decline in sales in all regions.

The Volkswagen Group's sales figures responded positively to its e-mobility campaign; in the first quarter of this year, Volkswagen delivered 99 thousand all-electric vehicles to customers worldwide. This was 39 thousand more units or 65.2% more than in the same period of the prior year. The share of the Volkswagen Group's total deliveries rose to 5.2% (2.5%). A total of 51 thousand plug-in hybrid models were delivered (down 31.4%). Total electric vehicle deliveries climbed by 11.8%, with their share of total group deliveries rising year on year to 7.9% (5.5%).

In a noticeably declining overall global market, Volkswagen achieved a passenger car market share of 10.4% (12.3%).

In the first three months of 2022, the Volkswagen Group delivered 12.3% more commercial vehicles to customers worldwide than in the same period of the prior year. The Volkswagen Group delivered a total of 68 thousand commercial vehicles to customers in the first quarter this year.

Volkswagen Group deliveries from 1 January to 31 March[1]

	2022	2021	Change %
Regions			
Europe/Other markets	812,147	1,007,258	−19.4
North America	177,471	219,043	−19.0
South America	81,878	140,093	−41.6
Asia-Pacific	826,776	1,065,490	−22.4
Worldwide	**1,898,272**	**2,431,884**	**−21.9**
by brands			
Volkswagen passenger cars	1,011,829	1,360,067	−25.6
ŠKODA	186,170	249,553	−25.4
SEAT	91,407	125,537	−27.2
Volkswagen commercial vehicles	81,859	95,797	−14.5
Audi	385,084	462,828	−16.8
Lamborghini	2,539	2,422	4.8
Bentley	3,203	3,358	−4.6
Porsche	68,426	71,986	−4.9
Bugatti[2]		21	
Passenger cars and light commercial vehicles total	**1,830,517**	**2,371,569**	**−22.8**
Scania	16,645	23,033	−27.7
MAN	34,040	37,282	−8.7
Navistar	17,070		
Commercial vehicles total	**67,755**	**60,315**	**12.3**

1 Prior-year deliveries have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures. As of 1 July 2021, the figures include Navistar.

2 Until 31 October 2021.

Sales, production and inventories at the Volkswagen Group

In the first quarter of 2022, the Volkswagen Group's unit sales to the dealer organization[1] declined year on year by 14.5% to 2.0 million vehicles (including the companies in China accounted for at equity). In the reporting period, limited vehicle availability as a result of the Covid-19 pandemic and bottlenecks in the supply of parts caused by the shortage of semiconductors and the Russia-Ukraine conflict had a negative impact. At 1.8 million vehicles, unit sales outside Germany declined by 15.2% compared with the period from January to March 2021. Brazil, China and the USA were affected in particular; by contrast, South Africa saw growth. Vehicle exports to Russia were halted. Unit sales in Germany decreased by 9.7% year on year. Vehicles sold in Germany as a proportion of overall sales increased to 12.1% (11.5%).

In the reporting period, the Volkswagen Group produced 2.0 million vehicles (including the companies in China accounted for at equity), 11.9% less than in the same period of the prior year. The shortage of semiconductors and the disruption of supply chains caused by the Russia-Ukraine conflict and the Covid-19 pandemic led to production being halted in the Volkswagen Group. Against the backdrop of the Russia-Ukraine conflict and the resulting consequences, Volkswagen decided to cease vehicle production in Russia until further notice. Between January and March 2022, production outside Germany decreased by 10.1% year on year, giving a total of 1.7 million vehicles. Vehicles sold in Germany decreased to 17.8% (19.4%).

Global inventories of new vehicles at group companies and in the dealer organization were higher on 31 March 2022 than at year-end 2021, but below the corresponding prior-year figure.

Volkswagen Group financial services

The financial services division's products and services were popular in the first quarter of 2022. However, demand was affected to varying degrees by the Covid-19 pandemic. Limited vehicle availability caused by parts supply shortages, and recently exacerbated by the Russia-Ukraine conflict, also weighed on demand. The number of new financing, leasing, service and insurance contracts signed worldwide fell by 2.5% to 2.1 million. The ratio of leased and financed vehicles to group deliveries (penetration rate) in the financial services division's markets amounted to 34.2% (35.2%) in the reporting period. At the end of March 2022, the total number of contracts was 24.6 million (24.5 million).

1 The dealer organization comprises all VW Group 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 2022 and as of 31 March 2022. While the prior-year figures for the results of operations relate to the period from 1 January to 31 March 2021, the financial position and net assets use figures as of 31 December 2021 as comparative figures.

In line with its investment strategy, the Porsche SE Group differentiates between the two segments “core investment” and “portfolio investments”. The segment “core investment” comprises the long-term core investment in Volkswagen AG as well as Porsche SE’s holding operations, comprising Porsche SE’s corporate functions including the holding financing function. The second segment “portfolio investments” comprises existing portfolio investments that Porsche SE generally holds for a temporary period of time and that are characterized by their high potential for growth and increasing value during the holding period.

Following the sale of the majority of the shares in PTV (see the section “Significant events and developments at the Porsche SE Group”), it was deconsolidated in January 2022. As of 31 December 2021, PTV was classified as a discontinued operation as defined by IFRS 5. Since then, the remaining indirect share in PTV has been accounted for at equity and is allocated to the segment “portfolio investments”.

Results of operations of the Porsche SE Group

The Porsche SE Group’s result after tax came to €2,130 million (€995 million) in the first quarter of the fiscal year 2022. Of this, €2,034 million (€999 million) related to continuing operations and €96 million (minus €4 million) to discontinued operations. In turn, of the result after tax from continuing operations, €2,038 million (€996 million) relates to the core investment segment and minus €4 million (€3 million) to the portfolio investments segment.

The result after tax in the core investment segment was significantly influenced by the result from the investment in Volkswagen accounted for at equity of €2,044 million (€1,003 million). This contains profit contributions from ongoing at equity accounting before purchase price allocations of €2,058 million (€1,018 million) as well as subsequent effects from purchase price allocations of minus €15 million (minus €15 million). The increase in the result from investments accounted for at equity is attributable to the positive development in the result at the level of the Volkswagen Group, which is associated with effects from the fair value measurement of derivatives to which hedge accounting is not applied (see the section “Results of operations of the Volkswagen Group” below). The acquisition of preference shares in the reporting period has so far not been recognized in profit or loss. Past purchase price allocations led to a bargain purchase having to be recognized through profit or loss. A provisional purchase price allocation could not yet be performed due to the proximity of the acquisitions to the quarterly closing date.

Other operating income, personnel expenses, amortization and depreciation and other operating expenses in the core investment segment virtually match the amounts for the group as a whole and have not changed significantly compared to the prior year. As in the prior year, other operating expenses mainly relate to legal and consulting fees.

The financial result of minus €1 million (minus €3 million) contains in the prior year primarily expenses from expected interest payments for taxes from prior years.

Income from income taxes of €4 million (€2 million) comprises deferred tax income of €4 million (€6 million). In the prior year, this had included an expense from current income taxes of €4 million as a result of expected tax backpayments for past fiscal years.

The financial result and income tax expenses of the core investment segment virtually match the figures of the Porsche SE Group.

The result after tax from continuing operations of the portfolio investments segment largely corresponds to its result from investments, which contains income of €3 million (€14 million) and expenses of €4 million (€12 million) from the fair value measurement of portfolio companies as well as the results from investments accounted for at equity of minus €3 million (€0 million).

In the reporting period, the result after tax from discontinued operations contains the deconsolidation income from selling shares in PTV.

Other comprehensive income of the Porsche SE Group of €1,614 million (€1,323 million) mainly contains effects resulting from the investment in Volkswagen AG accounted for at equity that largely relate to actuarial gains from the remeasurement of pension provisions of €1,302 million (€941 million) and to currency translation of €360 million (€415 million).

Financial position of the Porsche SE Group

Cash outflow from operating activities amounted to €11 million (€3 million) in the reporting period. As in the prior year, cash outflow during the reporting period primarily includes cash paid for operating holding expenses. By contrast, the comparative period includes cash inflows from discontinued operations.

There was a cash inflow from investing activities of €207 million (€16 million) in the first three months of the fiscal year 2022. This is primarily attributable to cash received from the sale of some shares in the PTV Group (€221 million) less cash and cash equivalents of the PTV Group (€25 million) disposed of in the course of the deconsolidation totaling €196 million as well as changes in time deposits of €15 million (€12 million). This was counterbalanced in particular by cash paid of €5 million for the acquisition of further preference shares in Volkswagen AG.

Cash and cash equivalents increased to €493 million (€271 million) compared to 31 December 2021.

Net liquidity of the Porsche SE Group, i.e., cash and cash equivalents, time deposits and securities less financial liabilities, increased to €847 million (€641 million) compared to 31 December 2021.

Net assets of the Porsche SE Group

Compared to 31 December 2021, the Porsche SE Group's total assets increased by €3.7 billion to €46.2 billion as of 31 March 2022.

The Porsche SE Group's non-current assets of €45.4 billion (€41.6 billion) primarily relate to the investments accounted for at equity. These include in particular the carrying amount of the investment in Volkswagen AG accounted for at equity, which increased by €3.7 billion to €45.2 billion. Of the increase in the carrying amount, €2,058 million is attributable to the result from ongoing equity accounting, minus €15 million to effects from the subsequent measurement of the hidden reserves and liabilities identified and €1,636 million to expenses and income recognized in other comprehensive income. Effects recognized in other comprehensive income result primarily from positive effects from the measurement of pensions as well as from currency translation at the level of the Volkswagen Group. In addition, adjustments to equity not recognized through total comprehensive income at the level of the Volkswagen Group of €2 million as well as acquisitions of preference shares of €34 million increased the carrying amount.

The investments accounted for at equity also include the carrying amount of the investment in ETS of €75 million as well as the investment in INRIX of €6 million.

Non-current other financial assets of €42 million (€45 million) contain shares in portfolio investments.

Current assets of €855 million (€960 million) mainly consist of cash and cash equivalents, time deposits and securities.

The equity of the Porsche SE Group increased to a total of €45.9 billion (€42.2 billion) due to the positive total comprehensive income as of 31 March 2022. The equity ratio of 99.4% increased slightly compared to the end of the fiscal year 2021.

Current other financial liabilities of €30 million (€3 million) primarily contain liabilities from the acquisition of preference shares in Volkswagen.

Results of operations of the Volkswagen Group

The following statements relate to the original profit/loss figures of the Volkswagen Group in the first quarter of the fiscal year 2022. It should be noted that the group result of Porsche SE only reflects its capital share in the result of the Volkswagen Group in the course of at equity accounting. Furthermore, effects from at equity accounting 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 in the explanations below.

In the first quarter of 2022, the Volkswagen Group generated revenue of €62.7 billion (€62.4 billion), which was in a similar range as in the prior-year period. Positive mix and exchange rate effects, improved price positioning and the good business performance of the financial services division were set against vehicle availability which continued to be limited due to parts supply shortages. Consolidated revenue includes an amount of €2.1 billion relating to Navistar; Navistar has been consolidated since 1 July 2021. The Volkswagen Group made 81.6% (82.2%) of its revenue abroad. Gross profit was down slightly, at €12.0 billion (€12.3 billion). The gross margin was 19.1% (19.8%).

The Volkswagen Group's operating result before special items improved by €3.6 billion to €8.5 billion in the period from January to March 2022. The operating return on sales before special items climbed to 13.5% (7.7%). Positive contributions arose mainly from the fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedging derivatives for nickel) in an amount of €3.5 billion (€0.5 billion) and from the mix and price positioning. The good business performance of the financial services division also made a positive contribution. These factors were offset in the first quarter of 2022 by expenses in the mid-three-digit million euro range relating to loss allowances and risk provisions as a consequence of the direct impact of the Russia-Ukraine conflict. In the prior-year period, one-off expenses for restructuring measures were recognized in the commercial vehicles business area. Special items in connection with the diesel issue reduced the operating result by €0.1 billion. The Volkswagen Group's operating profit increased by a total of €3.5 billion to €8.3 billion in the first three months of 2022, while the operating return on sales went up to 13.3% (7.7%).

The financial result amounted to €0.6 billion (minus €0.3 billion). The share of the result of investments accounted for using the equity method was higher than in the prior year. The interest expenses included in the financial result decreased, due mainly to measurement-related factors resulting from a change in discount rates used in the measurement of provisions. In the other financial result, changes in share prices, mainly as a result of the Russia-Ukraine conflict, weighed on net income from securities and funds. The prior year had, moreover, been negatively impacted by measurement effects on forward purchase agreements for new shares in QuantumScape.

The Volkswagen Group's result before tax increased by €4.4 billion to €8.9 billion in the first quarter of 2022. The result after tax increased by €3.3 billion year on year to €6.7 billion.

Opportunities and risks of future development

Opportunities and risks of the Porsche SE Group

There were no changes regarding the risk areas and their risk assessments presented in the report on opportunities and risks at the Porsche SE Group in the combined group management report for the fiscal year 2021. 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 of the Volkswagen Group

The following is based on extracts from the report on expected developments, risks and opportunities in the interim report January to March 2022 of Volkswagen AG.

As a result of the Russia-Ukraine conflict and the spread of the Omicron variant of the coronavirus in China, combined with the restrictions imposed as part of the zero-Covid strategy in place there, Volkswagen is of the opinion that its risk exposure has increased. The supply of energy, other raw materials and parts for the production process could heighten the impact on Volkswagen. Higher energy and commodity prices plus greater volatility could add to the strain. What is more, inflation rates could reduce purchasing power, adversely affect consumer behavior and put a damper on demand for Volkswagen’s products. Moreover, the need could arise for Volkswagen to recognize further impairment losses on assets and additional risk provisions.

Volkswagen is reaffirming its forecast for the 2022 fiscal year.

Furthermore, the status of the legal risks at the level of the Volkswagen Group was updated in the interim report of the Volkswagen Group. Beyond this, there were no significant changes in the reporting period of the Volkswagen interim report compared to the disclosures in the “Opportunities and risks of the Volkswagen Group” section of the combined management report in the annual report of Porsche SE for the fiscal year 2021.

Outlook

Anticipated development of the Volkswagen Group

Volkswagen believes it is well prepared overall for the future challenges pertaining to the automotive business activities and for the mixed development of the regional automotive markets. Its brand diversity, presence in all major world markets, broad and selectively expanded product range, and 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 an even stronger focus on their individual characteristics, and is optimizing the vehicle and drive portfolio. The focus 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 leverage the advantages of its multibrand group even more effectively with the ongoing development of new technologies and the enhancement of its toolkits.

Volkswagen's planning is based on the assumption that global economic output will continue to grow in 2022, albeit at a somewhat lower level overall, after the recovery observed in the past fiscal year – provided that the Covid-19 pandemic does not flare up and that shortages of intermediates and commodities become less intense. Volkswagen continues to believe that risks will arise from protectionist tendencies, turbulence in the financial markets, structural deficits in individual countries and rising inflation rates worldwide. In addition, growth prospects will be negatively impacted by ongoing geopolitical tensions and conflicts, with risks arising especially from the Russia-Ukraine conflict. The Volkswagen Group anticipates that both the advanced economies and the emerging markets will experience positive momentum.

The Volkswagen Group anticipates that, given the continuing challenging market conditions, deliveries to customers in 2022 will be 5% to 10% up on the prior year. This assumes that the Covid-19 pandemic will not flare up and that shortages of intermediates and commodities will become less intense. The 2022 fiscal year will continue to be affected by shortfalls in supply due to the structural shortage of semiconductors. Volkswagen anticipates that the supply of semiconductors will improve in the second half of the year, compared with the first half.

Challenges will arise particularly from the economic situation, the increasing intensity of competition, volatile commodity and foreign exchange markets, securing supply chains and more stringent emissions-related requirements.

Volkswagen expects the revenue of the Volkswagen Group and of the passenger cars business area in 2022 to be 8% to 13% higher than the prior-year figure. In terms of operating result for the group before and after special items and for the passenger cars business area, Volkswagen forecasts an operating return on sales in the range of 7.0% to 8.5% in 2022. For the commercial vehicles business area, Volkswagen anticipates an operating return on sales of 5.0% to 7.0% amid a strong year-on-year increase in revenue, including Navistar. For the financial services division, Volkswagen forecasts that revenue will be noticeably higher than the prior-year figure and that the operating result will be around €4.5 billion.

Anticipated development of the Porsche SE Group

The result of the Porsche SE Group is largely affected by 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 after tax of the Porsche SE Group is therefore largely based on the Volkswagen Group’s expectations regarding its future development. While the result after tax 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 after tax.

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

In particular on the basis of the Volkswagen Group’s expectations regarding its future development, the Porsche SE Group continues to expect a group result after tax of between €4.1 billion and €6.1 billion for the fiscal year 2022.

Existing uncertainties with regard to the further development of the Covid-19 pandemic, the intensity of shortages of intermediates and commodities, the diesel issue as well as the Russia-Ukraine conflict continue to result in significant limitations to forecasting accuracy.

As of 31 March 2022, the Porsche SE Group had net liquidity of €847 million. As a result of the acquisition of preference shares in Volkswagen AG (please refer to the explanations in the section “Significant events and developments at the Porsche SE Group”), the expected net liquidity as of 31 December 2022 will decrease compared to the forecast presented in the combined group management report for the fiscal year 2021 and is expected to be between €0.2 billion and €0.7 billion.

The forecasts of earnings and net liquidity are based on the current structure of the Porsche SE Group. Effects from future investments and divestitures are not taken into account. The forecast therefore contains in particular no effects from a possible IPO of Porsche AG and any related acquisition of ordinary shares in Porsche AG by Porsche SE (please refer to the details provided in the section “Significant events and developments at the Porsche SE Group”).

Due to the short period since the acquisition of preference shares in Volkswagen AG, the earnings forecast does not contain any effects from the purchase price allocation still to be performed in this regard. Previous acquisitions of ordinary shares in Volkswagen AG regularly led to income being recognized as a result of first-time at equity accounting of newly acquired shares. This was attributable in each case to the negative difference between the acquisition cost of the ordinary shares in Volkswagen AG and the pro rata revalued equity of the Volkswagen Group.

Glossary

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.

Diesel issue

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 Volkswagen Group vehicles with 2.0 l diesel engines in the USA. On 2 November 2015, the EPA issued a notice of violation alleging that irregularities had also been discovered in the software installed in US vehicles with type V6 3.0 l diesel engines. In this regard, numerous judicial and regulatory proceedings were subsequently initiated in various countries.

Operating result

The revenue of the Volkswagen Group, which does not include the figures for its Chinese joint ventures accounted for at equity, 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.

Return on sales before tax

The return on sales is the ratio of profit before tax to revenue in a period, expressed as a percentage. It shows the level of profit generated for each unit of revenue. The return on sales provides information on the profitability of all business activities before deducting income tax expense.

Selected financial information

Consolidated income statement of Porsche Automobil Holding SE for the period from 1 January to 31 March 2022

€ million	**Jan. - March 2022**	Jan. - March 2021
Result from investments accounted for at equity	2,041	1,003
Income from investment valuation	3	14
Expenses from investment valuation	–4	–12
Result from investments	**2,040**	**1,006**
Other operating income	0	0
Personnel expenses	–3	–3
Amortization and depreciation	0	0
Other operating expenses	–5	–4
Result before financial result	**2,031**	**999**
Finance costs	–1	–3
Other financial result	0	0
Financial result	**–1**	**–3**
Result before tax	**2,030**	**996**
Income taxes	4	2
Result after tax from continuing operations	**2,034**	**999**
Result after tax from discontinued operations	96	–4
Result after tax	**2,130**	**995**

Condensed consolidated statement of comprehensive income of Porsche Automobil Holding SE for the period from 1 January to 31 March 2022

€ million	**Jan. - March 2022**	Jan. - March 2021
Result after tax	**2,130**	**995**
Other comprehensive income after tax	1,614	1,323
Total comprehensive income	**3,744**	**2,318**
from continuing operations	3,647	2,322
from discontinued operations	96	–4

Consolidated balance sheet of Porsche Automobil Holding SE as of 31 March 2022

€ million	**31/3/2022**	31/12/2021
Assets		
Intangible assets	0	0
Property, plant and equipment	1	1
Investments accounted for at equity	45,317	41,527
Other financial assets	42	45
Other assets	1	1
Non-current assets	**45,360**	**41,574**
Other financial assets	6	1
Other assets	1	1
Income tax receivables		0
Securities	145	145
Time deposits	210	225
Cash and cash equivalents	493	271
Assets classified as held for sale		316
Current assets	**855**	**960**
	46,215	**42,533**
Equity and liabilities		
Subscribed capital	306	306
Capital reserves	4,884	4,884
Retained earnings	42,349	40,219
Other reserves (OCI)	–1,599	–3,214
Equity attributable to shareholders of Porsche SE	45,941	42,196
Non-controlling interests		1
Equity	**45,941**	**42,196**
Provisions for pensions and similar obligations	38	42
Other provisions	27	30
Financial liabilities	0	0
Deferred tax liabilities	138	116
Non-current liabilities	**203**	**188**
Provisions for pensions and similar obligations	1	1
Other provisions	34	31
Trade payables	1	2
Financial liabilities	0	0
Other financial liabilities	30	3
Other liabilities	4	4
Income tax liabilities	0	
Liabilities associated with assets classified as held for sale		109
Current liabilities	**70**	**149**
	46,215	**42,533**

Consolidated statement of cash flows of Porsche Automobil Holding SE for the period from 1 January to 31 March 2022

€ million	**Jan. - March 2022**	Jan. - March 2021
1. Operating activities		
Result after tax	2,130	995
Result after tax from discontinued operations	−96	4
Result from investments	−2,040	−1,006
Amortization and depreciation	0	0
Interest expense	1	3
Interest income	0	0
Income tax expense/income	−4	−2
Other non-cash expenses (+) and income (-)	1	1
Change in other assets	0	0
Change in provisions for pensions	0	0
Change in other provisions	−1	−3
Change in other liabilities	−2	−3
Interest paid	−1	0
Interest received	0	0
Income tax received	0	
Cash flow from operating activities from continuing operations	**−11**	**−13**
Cash flow from operating activities from discontinued operations		10
Cash flow from operating activities	**−11**	**−3**
2. Investing activities		
Cash paid for the acquisition of intangible assets and property, plant and equipment	0	
Cash received from the disposal of subsidiaries net of cash and cash equivalents	196	
Cash paid for the acquisition of shares in investments accounted for at equity	−5	
Cash paid for the acquisition of other shares in entities		−3
Cash received from the disposal of other shares in entities	2	2
Change in investments in securities	0	5
Change in investments in time deposits	15	12
Cash flow from investing activities from continuing operations	**207**	**16**
Cash flow from investing activities from discontinued operations		0
Cash flow from investing activities	**207**	**16**
3. Financing activities		
Dividends paid to shareholders of Porsche SE	0	0
Cash flow from financing activities from continuing operations	**0**	**0**
Cash flow from financing activities from discontinued operations		−1
Cash flow from financing activities	**0**	**−1**
4. Cash and cash equivalents		
Cash and cash equivalents as of 1 January	271	259
plus cash and cash equivalents as of 1 January from discontinued operations	25	
Change in cash and cash equivalents (subtotal of 1 to 3)	196	12
Cash and cash equivalents as of 31 March	**493**	**271**

Financial calendar

13 May 2022
Annual General Meeting 2022

8 August 2022
Half-yearly financial report 2022

8 November 2022
Group quarterly statement 3rd Quarter 2022

This group quarterly statement is available in German and English.
This document is a non-binding convenience translation of the German original which is the legally valid document under German law.

Porsche Automobil Holding SE
Investor Relations
Box
70432 Stuttgart
Germany
Phone +49 (0) 711 911-244 20
Fax +49 (0) 711 911-118 19
InvestorRelations@porsche-se.com
www.porsche-se.com