PORSCHE SE

Group quarterly statement

1st Quarter 2017

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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 2017, the Porsche SE Group had 30 employees (31 December 2016: 30 employees).

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

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

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

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

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 2017, and contains information on the reporting period from 1 January to 12 May 2017.

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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 with Volkswagen Group diesel engines. As a result, authorities in their respective jurisdictions worldwide commenced their own investigations (“diesel issue”). As the majority shareholder, Porsche SE continues to be affected by this issue, particularly with regard to its profit/loss from investments accounted for at equity. Furthermore, the proportional market capitalization of its investment in Volkswagen AG is influenced by the resulting development of the price of Volkswagen ordinary and preference shares. Despite the proportional market capitalization being below the carrying amount as of 31 March 2017, there is again no need to recognize an impairment loss on the basis of the earnings forecasts for the investment in Volkswagen AG accounted for at equity. However, particularly a further increase in the costs of mitigating the diesel issue might still lead to an impairment in the value of the investment. Ultimately, there could 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 can likewise have an effect on Porsche SE’s results of operations, financial position and net assets. For details of this matter, we refer to the section “Significant events and developments at the Volkswagen Group” in this group quarterly statement as well as the explanations of the significant events and developments at the Volkswagen Group, to the explanations on the results of operations, financial position and net assets and to the “Outlook” section in the group management report and management report in the annual report of Porsche SE for the fiscal year 2016. The executive board of Porsche SE remains committed to the company’s role as Volkswagen AG’s long-term anchor shareholder and is still convinced of the Volkswagen Group’s potential for increasing value added.

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

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

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

A model case according to the Capital Markets Model Case Act (KapMuG) against Porsche SE is pending with the Higher Regional Court of Celle. Subject of those actions are alleged damage claims based on alleged market manipulation and alleged inaccurate information in connection with Porsche SE's acquisition of the shareholding in Volkswagen AG. In part these claims are also based on alleged violations of antitrust regulations. The model case has been initiated by an order of reference of the Regional Court of Hanover dated 13 April 2016 that followed applications for establishment of a model case by the plaintiffs of four out of six proceedings pending before the Regional Court of Hanover. The Regional Court of Hanover has referred in total 83 of the establishment objectives asserted by the plaintiffs to the Higher Regional Court of Celle. On 11 May 2016 the Regional Court of Hanover suspended all six proceedings pending before it against Porsche SE up until a final decision about the establishment objectives in the model case before the Higher Regional Court of Celle. The suspended proceedings concern six legal actions of a total of 40 plaintiffs asserting alleged claims for damages of about €5.4 billion (plus interest). By decision dated 12 January 2017 the Higher Regional Court of Celle extended the KapMuG-based order of reference by 14 additional establishment objectives. Furthermore, the Higher Regional Court of Celle scheduled several trial dates in the time period from September to November 2017. Porsche SE is of the opinion that the plaintiff's establishment objectives, as far as they are or become subject of the model case, are without merit and therefore are rejected.

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

Based on the same alleged claims that are already subject of a momentarily suspended action concerning alleged damages of €1.81 billion (plus interest) pending against Porsche SE before the Regional Court of Hanover, the same plaintiffs filed an action against two members of the supervisory board of Porsche SE before the Regional Court of Frankfurt am Main in September 2013. Porsche SE joined the proceeding as intervener in support of the two supervisory board members. A trial date for hearing the case took place on 30 April 2015. By interim judgment dated 21 May 2015, the court assigned six of the seven plaintiffs to provide a security for costs for the legal procedures. Porsche SE considers these claims to be without merit.

On 7 June 2012, Porsche SE filed an action against two companies of an investment fund for declaratory judgment with the Regional Court of Stuttgart that alleged claims in the amount of around USD 195 million do not exist. The investment fund had asserted out-of-court that Porsche SE had made false and misleading statements in connection with its acquisition of a stake in Volkswagen AG during 2008. Therefore the investment fund announced that it intended to file the alleged claim before a court in England. On 18 June 2012, the investment fund filed an action against Porsche SE with the Commercial Court in England. On 6 March 2013, the English proceedings were suspended at the request of both parties until a final decision had been reached in the proceedings begun at the Regional Court of Stuttgart concerning the question of which court is the court first seized. On 24 July 2013, the Regional Court of Stuttgart decided that the Regional Court of Stuttgart is the court first seized. This decision of the Regional Court of Stuttgart was appealed by way of an immediate appeal by one of the defendants. By decision dated 28 November 2013, the Regional Court of Stuttgart did not allow the appeal and submitted the appeal to the Higher Regional Court of Stuttgart for a decision. By decision dated 30 January 2015, the Higher Regional Court of Stuttgart dismissed the immediate appeal. The defendant has filed an appeal on points of law to the Federal Court of Justice. By decision dated 13 September 2016, served on 16 November 2016, the Federal Court of Justice annulled the Higher Regional Court of Stuttgart's decision of 30 January 2015 and referred the case back to the Higher Regional Court of Stuttgart for reconsideration. Porsche SE considers the action filed in England to be inadmissible and the asserted claims to be without merit.

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

Legal proceedings and legal risks in connection with the diesel issue

In connection with the diesel issue (for a description see section “Diesel issue” in the section “Significant events and developments at the Volkswagen Group” in this group quarterly statement as well as within the group management report and management report in the annual report of Porsche SE for the fiscal year 2016 in the section “The diesel issue” in the section “Significant events and developments at the Volkswagen Group”) the following claims have been asserted against Porsche SE:

Since April 2016 a total of 159 proceedings have been initiated against Porsche SE before the Regional Court of Stuttgart. The actions concern damages in an amount totaling, if and to the extent the claims were quantified, about €902 million (plus interest) and in part establishment of liability for damages. The plaintiffs accuse Porsche SE of alleged nonfeasance of capital market information in connection with the diesel issue by Volkswagen AG. A part of the actions are directed against both Porsche SE and Volkswagen AG. Volkswagen AG filed in relation to one of these actions an application with the Higher Regional Court of Braunschweig to determine the Regional Court of Braunschweig as the competent court. A part of the plaintiffs in the proceedings pending before the Regional Court of 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 to the Higher Regional Court of Stuttgart nine of the establishment objectives asserted by the plaintiffs and the aforementioned six establishment objectives asserted by Porsche SE as a precautionary measure. A part of the plaintiffs filed motions for suspension of the proceedings with reference to a KapMuG-based order of reference by the Regional Court of Braunschweig regarding proceedings for damages against Volkswagen AG in connection with the diesel issue. It is currently unclear to what extent the actions pending before the Regional Court of Stuttgart will be suspended with reference to the order of reference issued by the Regional Court of Braunschweig or with reference to the order of reference issued by the Regional Court of Stuttgart. Nine actions have been partially suspended by the Regional Court of Stuttgart with orders of 3, 4, 5, 8, and 9 May 2017 with reference to its order of reference and, to the extent the Regional Court of Stuttgart did not suspend the actions, it suggested a withdrawal of the action. Porsche SE considers these claims to be without merit.

Since September 2016 six actions have been filed against Porsche SE before the Regional Court of Braunschweig. The actions are directed against both Porsche SE and Volkswagen AG. The actions are based on alleged claims for damages because of nonfeasance of immediate publication of insider information. The actions aim for claims for damages against Porsche SE in the amount of about €168,000. Volkswagen AG filed in relation to five actions an application with the Higher Regional Court of Braunschweig to determine the Regional Court of Braunschweig as the competent court. In relation to four proceedings also the plaintiffs filed similar applications to determine the competent court with the Higher Regional Court of Braunschweig. The plaintiffs in three actions have applied for suspension of the proceeding with reference to the KapMuG-based order of reference issued by the Regional Court of Braunschweig. The plaintiffs in three actions consented to this motion for suspension. By decision dated 1 December 2016 the Regional Court of Braunschweig suspended one of the proceedings with respect to Volkswagen AG with reference to the order of reference issued by the Regional Court of Braunschweig. The Regional Court of Braunschweig will have to decide whether it considers itself competent for the proceedings with respect to Porsche SE and whether the proceedings with respect to Porsche SE will then have to be suspended with reference to the order of reference issued by the Regional Court of Braunschweig or the order of reference issued by the Regional Court of Stuttgart. Porsche SE considers these claims to be inadmissible and to be without merit.

In November 2015, a purchaser of a Volkswagen and an Audi 3.0 l TDI diesel vehicle filed a class action lawsuit in the US District Court for the Eastern District of Michigan against, among others, Volkswagen AG and Porsche SE. The plaintiff alleges that the defendants fraudulently induced US customers to purchase Volkswagen, Audi and Porsche 2.0 l TDI and 3.0 l TDI diesel vehicles that contain illegal defeat devices. The action, along with other actions involving similar allegations, has been transferred to the US District Court for the Northern District of California for consolidated, multidistrict pre-trial proceedings. On 22 February 2016 other plaintiffs in this multidistrict litigation filed amended complaints on behalf of putative classes of owners and lessees (including the plaintiff in the Eastern District of Michigan action against Porsche SE), amongst others. Porsche SE was not named as a defendant in any amended complaint. Whether any claims against Porsche SE have survived after the filing of these amended complaints has not been decided yet. On 28 June 2016, Volkswagen AG, Audi AG, and Volkswagen Group of America, Inc. reached a class action settlement agreement with plaintiffs in the multidistrict litigation to settle the claims of a class of certain owners and lessees of Volkswagen and Audi 2.0 l TDI diesel engine vehicles in the United States. The US District Court for the Northern District of California granted final approval of the class action settlement on 25 October 2016. As a result, members of the settlement class who did not opt out have released all claims against Volkswagen AG and its affiliates, including Porsche SE, relating to the emissions issue as it pertains to Volkswagen and Audi 2.0 l TDI diesel engine vehicles in the United States. Certain class members have appealed the final approval order, and the appeals are currently pending before the Ninth Circuit Court of Appeals. The parties to the appeals are currently in the process of submitting their appellate briefs. If certain of the appeals are successful, then it is possible that the Ninth Circuit Court of Appeals could alter or even invalidate the terms of the settlement for all class members. On 31 January 2017, Volkswagen AG, Audi AG, Volkswagen Group of America, Inc., Dr. Ing. h. c. F. Porsche AG and Porsche Cars North America, Inc. reached an agreement with plaintiffs in the multidistrict litigation to settle the claims of a class of certain current and former owners and lessees of Volkswagen, Audi and Porsche 3.0 l TDI diesel engine vehicles in the United States. On 11 May 2017 the US District Court for the Northern District of California stated that it would approve the settlement by no later than 17 May 2017. As a result, members of the settlement class who have not opted out by this date will release all claims against Volkswagen AG and its affiliates, including Porsche SE, relating to the emission issue as it pertains to Volkswagen, Audi and Porsche 3.0 l TDI diesel engine vehicles in the United States. In all events, Porsche SE considers any claims against it to be without merit.

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

Since October 2015, 29 persons who have not yet filed a lawsuit have made out-of-court claims or initiated conciliatory proceedings against Porsche SE in connection with the diesel issue. In part, the alleged claims have not yet been quantified. As far as the alleged claims have been quantified by the plaintiffs, the damage claims amount to a total of around €400,000 (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 them.

Investigation proceedings

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

Proceedings regarding shareholders’ actions

A shareholder has filed an action of nullity and for annulment regarding the resolutions of the annual general meeting on 27 May 2014 as well as a precautionary action for determination that a shareholders’ resolution has been adopted before the Regional Court of Stuttgart. Subject of the actions are the shareholders’ resolutions on the exoneration of the executive board and the supervisory board for the fiscal year 2013 as well as the resolution to refuse the motion to vote out the chairman of the general meeting. As a precautionary measure, the shareholder additionally filed an action for determination that a shareholders’ resolution has been adopted regarding the motion to vote out the chairman of the general meeting. An oral hearing was held on 22 March 2016 at the Regional Court of Stuttgart. By decision of 28 October 2016 the Regional Court of Stuttgart dismissed the actions. The plaintiff has appealed this decision. Porsche SE considers the action to be partially inadmissible and in any event to be without merit.

The same shareholder has also filed an action of nullity and for annulment regarding the resolutions of the annual general meeting on 29 June 2016 on the exoneration of the executive board and the supervisory board for the fiscal year 2015. A date for an oral hearing has not been scheduled yet. 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 at the annual general meeting on 29 June 2016 is demanded. Porsche SE considers the motion to be without merit.

Significant events and developments at the Volkswagen Group

Volkswagen Truck & Bus invests in Navistar

By the end of February 2017, the responsible authorities had granted approvals for Volkswagen Truck & Bus GmbH to purchase a stake in US commercial vehicle manufacturer Navistar International Cooperation ("Navistar"). Volkswagen Truck & Bus acquired 16.6% of the shares in Navistar through a capital increase. The alliance includes framework agreements for a strategic technology and supply cooperation and for the joint venture Global Truck & Bus Procurement LLC, based in Lisle (Illinois), which will pursue joint global sourcing opportunities. Navistar is a holding company whose subsidiaries produce trucks, coaches, commercial and school buses, diesel engines and service parts. The partnership will focus on developing common powertrain systems, but may also entail collaboration in other areas of commercial vehicle development and purchasing. Opportunities to cooperate in the fields of autonomous driving, alternative fuel technologies, and connectivity will also be examined. The aim is to jointly create new synergies and to achieve greater independence from the cycles in the industry.

Investors acquire shares in HERE

The American computer chip manufacturer Intel and a Chinese consortium consisting of NavInfo, Tencent and GIC purchased a total stake of 25% in HERE in the first quarter of 2017. The transfer of shares to Intel was completed during the first quarter. It is expected that the transaction with the Chinese consortium will be completed once regulatory approval has been obtained in the second quarter of 2017. The remaining shares will continue to be owned by There Holding B.V., in which AUDI AG, BMW AG and Daimler AG hold equal stakes. HERE develops and sells high-precision digital maps with real-time information. The aim of HERE is also to create a shared open platform enabling business models based on location data and services for cars and other business areas.

Sale of third-party brand dealerships

As part of the strategic development of its dealer network Porsche Holding Salzburg, a subsidiary of the Volkswagen Group, plans to sell the dealerships of PGA Group SAS, which distribute mainly third-party-brand vehicles, to the Emil Frey Group (Switzerland). A briefing and consultation process with the employee representatives and the consent of individual manufacturers of third-party brands marketed in the retail enterprises must take place before the transaction can go ahead. In a second step, the Group's own dealerships in France will be combined in the newly founded company Volkswagen Group Retail France.

Partnerships

On 10 February 1 2017, Volkswagen passenger cars brand and Mobileye signed an agreement to create a new navigation standard for automated driving from 2018 as part of the strategic partnership they entered into in 2016. Future Volkswagen models will use Mobileye's camera-based mapping and localization technology "Road Experience Management" (REM). The companies will work together to gather navigational data that can be used for a new generation of highly intelligent maps. The Israeli company Mobileye is one of the world's leading producers of technologies for accident prevention and automated driving.

The Volkswagen Group has signed a memorandum of understanding (MoU) with Tata Motors Ltd. For Volkswagen, this marks another decisive step in the TOGETHER – Strategy 2025 program. With the MoU, the Volkswagen Group and Tata Motors are examining the opportunities for a strategic partnership in India, with the aim of combining the two manufacturers' expertise from the development of common vehicle components through to possible vehicle concepts. Tata Motors is the largest Indian automotive company and has subsidiaries and partners in the United Kingdom, South Korea, Thailand, South Africa and Indonesia.

Diesel issue

Independent monitor appointed
Larry D. Thompson has been appointed to serve as Independent Compliance Monitor at Volkswagen. The appointment is an important aspect of our plea agreement with the US Department of Justice, which was announced on 11 January 2017. The plea agreement of Volkswagen AG was approved by a US federal court on 21 April 2017. Furthermore, Mr. Thompson will also act as an Independent Compliance Auditor under the terms of Volkswagen AG's separate consent decree with the US Environmental Protection Agency (EPA). Mr. Thompson will assess and oversee Volkswagen's compliance with the terms of the plea agreement and consent decree for a period of three years, which include taking measures to further strengthen the company's compliance, reporting and monitoring mechanisms and the implementation of an enhanced compliance and ethics program.

German Federal Motor Transport Authority approves technical solutions

During the first quarter of 2017, the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) issued the outstanding official approvals needed for technical modification of 14 thousand Volkswagen Group vehicles fitted with four-cylinder diesel engines. In doing so, the technical solutions for all vehicles were approved without exception.

The KBA ascertained for all approved clusters (groups of vehicles) that implementation of the technical solutions would not bring about any unfavorable changes in fuel consumption, engine power, torque or noise emissions. Once the modifications have been made, these vehicles will thus comply with all legal requirements and the emission standards applicable in each case.

Business development

The following statements in this section on deliveries, sales, production and employees take into consideration operating developments in the passenger cars and commercial vehicles business areas at the Volkswagen Group in the first three months of the fiscal year 2017. 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, net assets and financial position” in this group quarterly statement.

General economic development

The global economy saw moderate growth in the first three months of 2017. The average expansion rate of gross domestic product (GDP) was up year-on-year in both industrialized countries and emerging market economies. Energy and commodity prices, which have increased again in recent months, gave a boost to the economies of individual exporting countries that depend on them.

Trends in the passenger car markets

Global new passenger car registrations were up 3.3% in the first quarter of 2017 compared with the prior-year period. However, trends varied from region to region. While the markets as a whole in the regions of Western Europe, Central and Eastern Europe, Asia-Pacific and South America registered increases, and demand in North America stagnated, sales in the Middle East and Africa remained below the prior-year level.

Trends in the markets for commercial vehicles

Global demand for light commercial vehicles was up slightly on the prior-year level in the period from January to March 2017. In the markets that are relevant for the Volkswagen Group, demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was at the prior-year level in the first quarter of 2017. Demand for buses in the markets that are relevant for the Volkswagen Group was also at the prior-year level in the first three months of 2017.

Employees in the Volkswagen Group

At the end of the first quarter of 2017, the Volkswagen Group had a total of 632,791 employees worldwide, up 1.0% on the figure as of 31 December 2016. Alongside the production-related expansion, significant factors for the increase were the recruitment of specialists inside and outside Germany and the expansion of the workforce in the new plants in Mexico, China and Poland. At 282,059, the number of employees in Germany was up 0.2% on year-end 2016. The proportion of employees in Germany was down slightly on 31 December 2016 at 44.6% (31 December 2016: 44.9%).

Sales and production in the Volkswagen Group

In the first quarter of 2017, the Volkswagen Group’s unit sales to the dealer organization (including the Chinese joint ventures) amounted to 2,610,425 vehicles. This represents an increase of 1.3% on the prior-year period, attributable to higher demand in Europe. The Volkswagen Group produced a total of 2,737,577 vehicles in the period from January to March 2017, an increase of 7.1% year-on-year. Production in Germany declined by 2.7% to 665,191 units. The proportion of vehicles produced in Germany therefore decreased to 24.3% (comparative period: 26.7%).

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

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

	2017	2016	Change %
Regions			
Europe/Other markets	1,185,895	1,150,755	3.1
North America	213,695	201,530	6.0
South America	121,806	110,312	10.4
Asia-Pacific	973,657	1,045,482	–6.9
Worldwide	**2,495,053**	**2,508,079**	**–0.5**
by brands			
Volkswagen passenger cars	1,440,924	1,459,517	–1.3
Audi	422,603	455,869	–7.3
ŠKODA	283,482	276,625	2.5
SEAT	117,272	102,914	14.0
Bentley	2,377	1,554	53.0
Lamborghini	987	928	6.4
Porsche	59,689	55,974	6.6
Bugatti	2	-	-
Volkswagen commercial vehicles	121,846	112,812	8.0
Scania	20,656	18,440	12.0
MAN	25,215	23,446	7.5

1 Deliveries for 2016 have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

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

In the following explanations, the significant results of operations as well as the financial position and net assets for the first three months of the fiscal year 2017 and as of 31 March 2017 are compared to the corresponding comparative figures for the period from 1 January to 31 March 2016 (results of operations) and as of 31 December 2016 (financial position and net assets).

Results of operations of the Porsche SE Group
In the period from 1 January to 31 March 2017, the Porsche SE Group recorded a profit for the period of €986 million (comparative period: €661 million). This result was significantly influenced by the profit from investments accounted for at equity of €1,006 million (comparative period: €674 million), of which €1,007 million (comparative period: €674 million) is attributable to the investment in Volkswagen AG and minus €1 million (comparative period: €0 million) to the investment in INRIX. The profit from investments accounted for at equity includes the effects of the subsequent measurement of the purchase price allocations made. This line item – and therefore the Porsche SE Group's profit in the first three months of the fiscal year 2017 – was reduced by a total of €25 million (comparative period: €38 million) by the subsequent effects of these purchase price allocations, i.e., the subsequent measurement of hidden reserves and liabilities identified in the process.

The financial result for the first three months of the fiscal year 2017 comes to minus €5 million (comparative period: minus €4 million). In the reporting period, as in the comparative period, this amount mainly contains expenses from loan interest of €5 million.

As a result of the change in deferred taxes, there was a tax expense of €8 million in the reporting period (comparative period: €2 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 loan liabilities, decreased from €1,299 million as of 31 December 2016 to €1,283 million as of 31 March 2017.

The Porsche SE Group's total assets increased by €1,247 million from €28,365 million as of 31 December 2016 to €29,612 million as of 31 March 2017.

The non-current assets of the Porsche SE Group came to €28,025 million as of 31 March 2017 (31 December 2016: €26,761 million) and mainly comprise the carrying amount of the shares accounted for at equity in Volkswagen AG. The profit from the investment accounted for at equity was the main reason for the increase of the carrying amount – compared to 31 December 2016 – by €1,264 million to €28,003 million.

Current assets, which mainly consist of cash and cash equivalents, time deposits and securities of Porsche SE and its subsidiaries, amount to €1,587 million as of 31 March 2017 (31 December 2016: €1,604 million).

Largely due to the net profit for the period, the equity of the Porsche SE Group increased from €27,894 million as of 31 December 2016 to €29,137 million as of 31 March 2017.

Current financial liabilities remained unchanged compared to 31 December 2016, at a total of €300 million.

Results of operations of the significant investment

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

The Volkswagen Group's sales revenue amounted to €56,197 million in the period from January to March 2017, an increase of 10.3% compared with the prior year. This increase was mainly due to improvements in volumes and in the mix. The Volkswagen Group generated 80.0% (comparative period: 78.8%) of its sales revenue outside Germany.

Less cost of sales, gross profit in the reporting period was up on the prior-year period at €11,191 million (comparative period: €10,298 million). The gross margin amounted to 19.9% (comparative period: 20.2%, 20.5% excluding special items).

At €4,367 million, the Volkswagen Group's operating profit in the first quarter of 2017 was up €927 million year-on-year due to volume, mix and margin-related factors, positive exchange rate effects and product cost optimization. The operating return on sales improved to 7.8% (comparative period: 6.8%). In the prior-year period, this item had included positive special items totaling €309 million. In the prior year, the operating profit before special items had amounted to €3,131 million, while the operating return on sales before special items was 6.1%.

The financial result rose by €493 million to €256 million; lower expenses from the measurement of derivative financial instruments on the reporting date as well as lower finance costs due to remeasurement effects had a positive impact. At €936 million, earnings from investments accounted for at equity was down on the prior year (€1,114 million). The income from the remeasurement of the shares in HERE following investment by further investors was offset by the share of profits and losses of investments in the Chinese joint ventures accounted for at equity, which was down on the prior year. Moreover, the figure for the prior year had been favorably influenced by the income from the sale of the shares in LeasePlan.

Earnings before tax rose by €1,420 million year-on-year to €4,623 million. Earnings after tax amounted to €3,403 million, an increase of €1,038 million compared with the prior year.

Opportunities and risks of future development

Opportunities and risks at Porsche SE

The report on opportunities and risks at Porsche SE in the group management report and management report of Porsche SE for the fiscal year 2016 must be updated as of 31 March 2017 with regard to the statements on the current status of the legal proceedings as well as the diesel issue. We refer to the section “Significant events and developments at the Porsche SE Group” in this group quarterly statement. Beyond this, there were no significant changes compared with the presentation of the opportunities and risks of Porsche SE in the group management report and management report for the fiscal year 2016.

Opportunities and risks at the Volkswagen Group

On 10 March 2017, Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates entered into a settlement agreement resolving the environmental claims of ten states – Connecticut, Delaware, Maine, Massachusetts, New York, Oregon, Pennsylvania, Rhode Island, Vermont and Washington – for an amount of USD 157 million.

On 24 March 2017, the United States filed a motion for entry of the second partial consent decree, which had been agreed to between Volkswagen and the Department of Justice (DOJ), the US Environmental Protection Agency (EPA), the US environmental authority of California – the California Air Resources Board (CARB) – and the California Attorney General on 20 December 2016 that resolved claims for injunctive relief under the US Clean Air Act and California environmental, consumer protection and false advertising laws related to the 3.0 l TDI vehicles.

On 13 April 2017, the federal court in the multidistrict litigation in California entered judgment on the third partial consent decree, which Volkswagen had agreed to with the DOJ and EPA on 11 January 2017 that resolved claims for civil penalties and injunctive relief under the Clean Air Act related to the 2.0 l and 3.0 l TDI vehicles.

On 21 April 2017, the federal court in Michigan accepted Volkswagen AG’s agreement to plead guilty on 11 January 2017 and to pay a USD 2.8 billion criminal penalty, and imposed a sentence of three years’ probation.

Also on 21 April 2017, the Canadian court approved the settlement agreement entered into between consumers and Volkswagen AG and other Canadian and US Volkswagen Group companies relating to 2.0 l diesel vehicles.

The public prosecutor’s office in Munich initiated a criminal investigation against persons unknown in connection with 3.0 l TDI vehicles of the

Volkswagen Group distributed in the United States. The criminal investigation is still at an early stage and further progress remains to be seen.

Beyond this, there were no significant changes in the reporting period compared to the disclosures made in the group management report and management report of Porsche SE for the fiscal year 2016 on the expected development of the Volkswagen Group in the fiscal year 2017 as well as in publications released by the publication date of this group quarterly statement.

Outlook

Anticipated development of the Volkswagen Group

The Volkswagen Group is well positioned to deal with the mixed developments in automotive markets around the world. Its broad, selectively expanded product range featuring the latest generation of engines as well as a variety of alternative drives puts Volkswagen in a good position globally compared with its competitors. The group's further strengths include in particular its unique brand portfolio, its steadily growing presence in all major world markets and its wide selection of financial services. The Volkswagen Group's range of models covers almost all key segments, with offerings from small cars to super sports cars in the passenger car segment, and from pickups to heavy trucks and buses in the commercial vehicles segment, as well as motorcycles. The Volkswagen Group brands will further optimize their vehicle and drivetrain portfolio in 2017 to concentrate on the most attractive and fastest-growing market segments.

Its goal is to offer all customers the mobility and innovations they need, sustainably strengthening its competitive position in the process.

The Volkswagen Group expects that deliveries to customers in 2017 will moderately exceed the prior-year volume amid persistently challenging market conditions.

Challenges will arise particularly from the economic situation, intense competition in the market, exchange rate volatility and the diesel issue.

Volkswagen expects the sales revenue of the passenger cars business area and commercial vehicles business area to grow by up to 4% year-on-year in 2017. In terms of the Volkswagen Group's operating result, Volkswagen anticipates an operating return on sales of between 6.0% and 7.0% in 2017. In the passenger cars business area, the Volkswagen Group expects an operating return on sales of between 6.5% and 7.5%. For the commercial vehicles business area, Volkswagen anticipates an operating return on sales of between 3.0% and 5.0%. In the power engineering business area, Volkswagen expects a substantial year-on-year decline in sales revenue but also a lower operating loss. For the financial services division, Volkswagen is forecasting sales revenue and the operating result at the prior-year level.

Anticipated development of the Porsche SE Group

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

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

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

Based on the current group structure, in particular on the basis of the Volkswagen Group's expectations regarding its future development and the ongoing existing uncertainties with regard to possible special items in connection with the diesel issue, Porsche SE continues to expect a group profit for the year of between €2.1 billion and €3.1 billion for the fiscal year 2017.

As of 31 March 2017, Porsche SE had net liquidity of €1,283 million. Both Porsche SE and the Porsche SE Group aim to achieve positive net liquidity, which is still expected to be between €1.0 billion and €1.5 billion as of 31 December 2017, not taking future investments into account.

Financial calendar

30 May 2017
Annual general meeting

31 July 2017
Half-yearly financial report 2017

7 November 2017
Group quarterly statement 3rd Quarter 2017

This group quarterly statement is available in German and English.
In case of doubt the German version is binding.

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