Group quarterly statement

3rd Quarter 2017
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 30 September 2017, the Porsche SE Group had 787 employees (31 December 2016: 30 employees). The increase is attributable to the first-time inclusion of the PTV Group (PTV AG and its subsidiaries).

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

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.

In addition to established medium-sized enterprises, Porsche SE has also recently expanded its investment focus to include young companies from the start-up phase. In this context, Porsche SE has recently acquired two venture capital investments in two 3D printing specialists, each in the single-digit percentage range. These are the US company Markforged Inc. as well as an additional 3D printing company whose financing round has not yet been announced. The combined investment amounts to a single-digit million euro figure.

This group quarterly statement by Porsche SE relates to the development of business and its effects on the results of operations, financial position and net assets in the first nine months of the fiscal year 2017, and contains information on the period from 1 January to 6 November 2017.
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Significant events and developments at the Porsche SE Group

Significant events and developments at the Porsche SE Group are presented in the following. The explanations refer to events and developments in the third quarter of the fiscal year 2017, unless reference is made in this section to another time period.

Porsche concludes acquisition of PTV AG

On 7 June 2017, Porsche Zweite Beteiligung GmbH, Stuttgart, a wholly owned subsidiary of Porsche SE, initially purchased around 97% of shares in PTV AG. The company is a leading provider of software for traffic planning and management as well as transport logistics. The transaction was completed at the beginning of September 2017. Upon completion, the consideration of €309 million was paid. This contains payments for the acquisition of outstanding stock options on shares in PTV AG as well as for around 2.9% more shares in PTV AG. Porsche SE thus indirectly holds 99.9% of the shares in PTV AG. Future adjustments of the consideration remain possible. As the acquisition took place close to end of the quarter, the PTV Group’s transition to IFRS has not yet been completed and the purchase price allocation is provisional. €300 million was allocated to intangible assets on the basis of the provisional calculation and pension provisions were increased by around €1 million.

Emissions 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 (NOx) emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. Consequently, authorities in their respective jurisdictions worldwide commenced their own investigations (“diesel issue”). In the third quarter of fiscal year 2017, additional provisions amounting to €2.6 billion had to be recognized. This is due to an increase of €2.1 billion in provisions for warranties and of €0.5 billion in provisions for legal risks. The main reason for this rise in provisions is that the buyback/retrofit programs for 2.0 l TDI vehicles in North America, which have to be implemented under the settlement deal, are more complex. Continuous monitoring of the program has shown that the scheme is more comprehensive and technically more challenging than expected; this also entails an extension to the program period. As the majority shareholder, Porsche SE was still influenced by this issue mainly through its profit/loss from investments accounted for at equity. Furthermore, the proportionate market capitalization of its investment in Volkswagen AG is influenced by the resulting development of the share price of the Volkswagen preference and ordinary shares. Despite the proportionate market capitalization being below the carrying amount as of 30 September 2017, there was 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, a further increase in the costs of mitigating the diesel issue might continue to lead to an impairment in the value of the investment. Finally, there may continue to be subsequent effects on the dividend policy of Volkswagen AG and therefore on the cash inflows at the level of Porsche SE. Legal risks from claims brought against Porsche SE stemming from this issue may also have an effect on Porsche SE’s results of operations, financial position and net assets. For details of this matter, please refer to the explanations of the significant events and developments at the Volkswagen Group, the explanatory notes on the results of operations, financial position and net assets, and the “Outlook” section in the group management report and the management report in the Porsche SE’s annual report 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 certain establishment objectives to the Higher Regional Court of Celle. On 11 May 2016 the Regional Court of Hanover suspended all six proceedings pending before it against Porsche SE up until a final decision about the establishment objectives in the model case before the Higher Regional Court of Celle. The suspended proceedings concern six legal actions of a total of 40 plaintiffs asserting alleged claims for damages of about €5.4 billion (plus interest). By decision dated 12 January 2017, the Higher Regional Court of Celle extended the KapMuG-based order of reference by additional establishment objectives. The first trial date took place on 12 October 2017. At this date the Higher Regional Court of Celle signalized that it intends to add further establishment objectives and explained
its preliminary view on the state of affairs and of the dispute. The judges of the competent senate have been recused on grounds of suspected bias by the model case plaintiff and further parties summoned. By decision of 23 October 2017 the Higher Regional Court of Celle dismissed the motion to recuse the judges. According to information provided by the Higher Regional Court of Celle, the model case plaintiff filed a complaint that this decision violated the right to a hearing in court by brief of 30 October 2017. One of the other parties summoned also filed a motion to recuse the judges of the competent senate on grounds of suspected bias by brief of 30 October 2017. Subsequently, the Higher Regional Court of Celle cancelled the further trial dates previously scheduled in 2017. A new date for continuation of the oral hearing has not been scheduled yet. Porsche SE is of the opinion that the claims asserted in the suspended initial proceedings are without merit and that the establishment objectives that are subject of the model case will be rejected. Porsche SE considers its opinion endorsed by the previous course of the oral hearing before the Higher Regional Court of Celle.

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

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

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

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

Legal proceedings and legal risks in connection with the diesel issue

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

Since April 2016 a total of 185 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 €934 million (plus interest) and in part establishment of liability for damages. The plaintiffs accuse Porsche SE of alleged nonfeasance of capital market information in connection with the diesel issue. A part of the actions is directed against both Porsche SE and Volkswagen AG. 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. In April 2017, the Higher Regional Court of Braunschweig transferred the proceedings to determine the competent court to the competent
Higher Regional Court of Stuttgart. The Higher Regional Court of Stuttgart dismissed the application to determine the competent court at the end of August 2017. 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. Since early May 2017, 30 actions have been partially suspended by the Regional Court of Stuttgart with reference to its order of reference and, to the extent the Regional Court of Stuttgart did not suspend the actions, it partially suggested a withdrawal of the action. Porsche SE considers these claims to be without merit.

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

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

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

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

Proceedings regarding shareholders’ actions
A shareholder has filed an action of nullity and for annulment regarding the resolutions of the annual general meeting on 27 May 2014 as well as a precautionary action for determination that a shareholders’ resolution has been adopted before the Regional Court of Stuttgart. Subject of the action are the shareholders’ resolutions on the
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 been scheduled for 5 December 2017. 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. A date for an oral hearing has been scheduled for 5 December 2017. Porsche SE considers the motion to be without merit.
Significant events and developments at the Volkswagen Group in the third quarter of the fiscal year 2017 are presented in the following.

Diesel issue

In the third quarter, the Volkswagen Group increased its provisions relating to the buyback/retrofit programs for 2.0 l TDI vehicles, which are part of the settlement in North America, and are proving to be more complex. Continuous monitoring of the program has shown that the scheme is more comprehensive and technically more challenging than expected; this also entails an extension to the program period. Negative special items of €2.6 billion weighed on operating profit in 2017.

Partnerships

In early July 2017, Volkswagen’s Group Research and the automation specialist KUKA agreed a new strategic partnership. Among other things, the aim of the research collaboration is to develop robotics-based innovations for electric and self-driving cars. In addition to the technological foundations, concepts for innovative applications are to be developed.

In late August 2017, Audi and Alta Devices, a subsidiary of Chinese solar-cell specialist Hanergy, announced a strategic alliance. The goal is to integrate thin-film solar cells into panorama glass roofs of Audi models, generate solar electricity and thereby increase the range of electric vehicles. A first prototype is to be built by the end of 2017.

In early September 2017, the Volkswagen passenger cars brand and DHL Paket launched the “We by Volkswagen Deliver” pilot project in Berlin. The scheme makes it easier for customers to take delivery of parcels. During an eight-month test phase, selected customers can use 50 Polos as delivery stations: parcels are delivered straight to the car. With the option to use the vehicle as a mobile delivery address, Volkswagen is expanding its range of car-related mobility solutions and underscoring its ambitions to become one of the world’s top providers of efficient, convenient and sustainable mobility services by 2025.

Also at the beginning of September 2017, Volkswagen and IBM entered into a partnership for development of personalized digital mobility services with a view to actively shaping the growing trend towards networking between vehicles and drivers. “We Commerce” is to be the first joint development in the new “Volkswagen WE” digital ecosystem. This will be a service to provide drivers with personalized recommendations for action at the right place and time.
Antitrust proceedings

In 2011, the European Commission conducted searches at European truck manufacturers on suspicion of an unlawful exchange of information during the period 1997–2011 and issued a statement of objections to MAN, Scania and the other truck manufacturers concerned in November 2014.

With its settlement decision in July 2016, the European Commission fined five European truck manufacturers. MAN’s fine was waived in full as the company had informed the European Commission about the irregularities as a key witness.

In September 2017, the European Commission then fined Scania €0.88 billion. Scania plans to appeal to the European Court in Luxembourg and use all means at its disposal to defend itself. Scania had already recognized a provision of €0.4 billion in 2016.

Within the scope of the European Commission’s ongoing antitrust investigations regarding German automakers, authorities examined documents in the offices of Volkswagen AG in Wolfsburg and AUDI AG in Ingolstadt as part of an announced review. The Volkswagen Group and the group brands concerned have been cooperating fully and for a long time with the European Commission and have submitted a corresponding application. It is currently unclear whether the European Commission will instigate formal proceedings.
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 nine 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 nine months of 2017. The average expansion rates of gross domestic product (GDP) in both the industrialized and the emerging markets exceeded the prior-year figures. Energy and commodity prices increased year-on-year, boosting the economies of individual exporting countries that depend on them.

Trends in the passenger car markets
In the first nine months of 2017, global demand for passenger cars was up 3.2% year-on-year. Growth was driven by the Asia-Pacific region, South America, Western Europe and Central and Eastern Europe. However, the number of new cars sold in North America, the Middle East and Africa declined.

Trends in the markets for commercial vehicles
Global demand for light commercial vehicles was down on the prior year in the period from January to September 2017. In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was above the prior-year figure between January and September 2017. Demand for buses was distinctly up on the prior year during this period.

Employees in the Volkswagen Group
At the end of the first nine months of 2017, the Volkswagen Group had a total of 636,740 employees worldwide, up 1.6% on the number as of 31 December 2016. The production-related expansion, the recruitment of specialists within and outside Germany and the expansion of the workforce in the new plants in Mexico, China and Poland were offset by the reduction of around 9,800 employees as a result of the sale of part of the PGA Group SAS.

Sales and production in the Volkswagen Group
In the first nine months of 2017, the Volkswagen Group’s unit sales to the dealer organization1 (including the Chinese joint ventures) rose by 3.4% to 7,912,844 vehicles, in particular on the back of higher demand in China, Europe and South America. The Volkswagen Group produced a total of 8,039,052 vehicles in the period from January to September 2017, an increase of 5.2% year-on-year.

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1 The dealer organization comprises all external dealer companies that are supplied by the Volkswagen Group.
The following table presents the Volkswagen Group’s deliveries to customers by region and by brand.

**Deliveries of passenger cars, light commercial vehicles, trucks and buses from 1 January to 30 September**

<table>
<thead>
<tr>
<th>Regions</th>
<th>2017</th>
<th>2016</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe/Other markets</td>
<td>3,563,385</td>
<td>3,491,653</td>
<td>2.1</td>
</tr>
<tr>
<td>North America</td>
<td>718,733</td>
<td>685,767</td>
<td>4.8</td>
</tr>
<tr>
<td>South America</td>
<td>389,744</td>
<td>320,004</td>
<td>21.8</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>3,134,810</td>
<td>3,111,843</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Worldwide</strong></td>
<td>7,806,672</td>
<td>7,609,267</td>
<td>2.6</td>
</tr>
</tbody>
</table>

**by brands**

| Volkswagen passenger cars      | 4,490,927| 4,374,774| 2.7      |
| Audi                           | 1,380,778| 1,408,828| –2.0     |
| ŠKODA                          | 871,082  | 840,881  | 3.6      |
| SEAT                           | 354,896  | 312,888  | 13.4     |
| Bentley                        | 7,890    | 7,074    | 11.5     |
| Lamborghini                    | 2,930    | 2,867    | 2.2      |
| Porsche                        | 185,898  | 178,314  | 4.3      |
| Bugatti                        | 42       | 1        | -        |
| Volkswagen commercial vehicles | 367,928  | 350,783  | 4.9      |
| Scania                         | 63,959   | 58,732   | 8.9      |
| MAN                            | 80,342   | 74,125   | 8.4      |

1 Deliveries for 2016 have been updated to reflect subsequent statistical trends. Includes 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 nine months of the fiscal year 2017 and as of 30 September 2017 are compared to the corresponding comparative figures for the period from 1 January to 30 September 2016 (results of operations) and as of 31 December 2016 (financial position and net assets).

Results of operations of the Porsche SE Group

The acquisition of PTV AG was completed at the beginning of September 2017. There were therefore no material effects on the individual line items of the income statement and thus on the results of operations of the Porsche SE Group.

In the period from 1 January to 30 September 2017, the Porsche SE Group recorded a profit for the period of €2,195 million (prior year: €1,635 million). This was mainly attributable to the profit/loss from the investment in Volkswagen AG accounted for at equity of €2,255 million (prior year: €1,691 million). At €24 million, other operating expenses for the first three quarters of the fiscal year 2017 were down slightly on the prior-year level (prior year: €25 million). These expenses mainly contain Porsche SE’s legal and consulting costs.

Profit/loss from investments accounted for at equity increased by €565 million to €2,253 million. It contained profit contributions from ongoing equity accounting of €2,322 million (prior year: €1,773 million) as well as subsequent effects from purchase price allocations of minus €69 million (prior year: minus €83 million). The financial result of minus €9 million was above the prior-year level (prior year: minus €13 million). The increase is primarily due to lower interest expenses following the repayment of financial liabilities mid-June 2017.

Profit before tax amounted to €2,211 million (prior year: €1,641 million). As a result of the change in deferred taxes, there was a tax expense of €16 million in the reporting period (prior year: €6 million).

Financial position and net assets of the Porsche SE Group

Net liquidity of the Porsche SE Group comprises cash and cash equivalents, time deposits and securities less loan liabilities. It decreased from €1,299 million at the beginning of the year to €961 million. The decrease in net liquidity is primarily attributable to the acquisition of PTV AG at the beginning of September.
The Porsche SE Group’s total assets increased by €2,325 million compared to 31 December 2016 to €30,690 million.

The non-current assets of the Porsche SE Group as of 30 September 2017 totaling €29,683 million (31 December 2016: €26,761 million) related primarily to the investments accounted for at equity. These included in particular the carrying amount of the investment in Volkswagen AG accounted for at equity, which increased by €2,605 million to €29,344 million. This increase was mainly due to the profit/loss from investments accounted for at equity of €2,255 million as well as effects recognized directly in equity totaling €658 million. This was countered by dividend payments received amounting to €308 million. The investments accounted for at equity also include the carrying amount of the investment in INRIX of €20 million.

Intangible assets of the Porsche SE Group of €307 million mainly contain the provisional difference from the first-time consolidation of the PTV Group.

Current assets decreased by €597 million to €1,007 million largely due to the repayment of financial liabilities as well as the acquisition of PTV AG. They mainly consist of cash and cash equivalents, time deposits and securities.

As of 30 September 2017, the equity of the Porsche SE Group increased to a total of €30,440 million (31 December 2016: €27,894 million) due to the group profit for the period and to expenses and income recognized directly in equity. The equity ratio increased from 98.3% at the end of the fiscal year 2016 to 99.2% as of 30 September 2017.

Non-current and current provisions increased by €11 million to €134 million. This increase is primarily due to provisions for personnel costs and pensions of the PTV Group.

Financial liabilities of €13 million primarily relate to a bonded loan of the PTV Group. The prior-year financial liabilities of €300 million in total related to a loan due to the Volkswagen Group. This was fully repaid mid-June 2017.

Results of operations of the significant investment

The following statements relate to the original profit/loss figures of the Volkswagen Group in the first nine months of the fiscal year 2017. This means that effects from inclusion in the consolidated financial statements of Porsche SE, particularly relating to the subsequent measurement of the
hidden reserves and liabilities identified in the course of the purchase price allocations, as well as from applying uniform group accounting policies, are not taken into consideration.

In the period from January to September 2017, the Volkswagen Group’s sales revenue amounted to €170.9 billion, 6.8% higher than a year earlier. The increase was mainly due to positive volume effects and the good performance of the financial services division. The Volkswagen Group generated 80.3% (comparative period: 79.5%) of its sales revenue outside Germany.

Less cost of sales, gross profit amounted to €32.0 billion, up €0.9 billion year-on-year. Adjusted for the special items recognized here in both periods, gross profit was up €2.1 billion on the prior year, at €34.1 billion. The gross margin amounted to 18.7% (comparative period: 19.4%); excluding special items it was 19.9% (comparative period: 20.0%).

The Volkswagen Group’s operating profit before special items improved by €2.0 billion in the first nine months of 2017 to €13.2 billion, while the operating return on sales before special items increased to 7.7% (comparative period: 7.0%). The main contributors to this performance were improvements in volumes, the mix and margins, as well as product cost optimization and positive exchange rate effects. Special items of minus €2.6 billion (comparative period: minus €2.6 billion) weighed on operating profit. At €10.6 billion (comparative period: €8.6 billion), the Volkswagen Group’s operating profit was significantly higher than in the prior year. The operating return on sales rose to 6.2% (comparative period: 5.4%).

The financial result was slightly negative (minus €84 million), but showed a year-on-year improvement of €0.4 billion. Lower finance costs due to remeasurement and lower expenses from the measurement of derivative financial instruments on the reporting date had a positive influence. Profit/loss from investments accounted for at equity was down on the prior-year figure. This includes the gain on the remeasurement of the shares in HERE following investment by additional investors, which offset the profit/loss from investments accounted for at equity in the Chinese joint ventures, which was down on the prior year. In the prior-year period, the income from the sale of the LeasePlan shares had had a positive effect.

The Volkswagen Group’s profit/loss before tax increased by €2.4 billion to €10.6 billion. Compared with the prior year, profit after tax grew by €1.8 billion to €7.7 billion.
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 30 September 2017 with regard to the statements on the current status of the legal proceedings. We refer to the section “Significant events and developments at the Porsche SE Group” in this group quarterly statement.

Due to the short period of time between the publication date of the group quarterly statement and the acquisition of PTV AG, the opportunities and risks from the investment in the PTV Group are not yet described.

Opportunities and risks at the Volkswagen Group

The Volkswagen Group has raised its forecast for the sales revenue trend for the group, for the passenger cars and commercial vehicles business areas as well as for the financial services division. Furthermore, Volkswagen has raised the profit forecast for the group before special items and the passenger cars business area before special items, for the commercial vehicles business area as well as for the financial services division. The Volkswagen Group has slightly reduced the profit forecast for the passenger cars business area including special items (please refer to the section “Anticipated development of the Volkswagen Group” in this group quarterly statement).

Furthermore, the report on opportunities and risks at the Volkswagen Group in the group management report and management report of Porsche SE for the fiscal year 2016 must be updated as of 30 September 2017 with regard to the statements on the legal disputes.


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. The federal court in the multidistrict litigation in California approved the second partial consent decree on 17 May 2017. Also on 17 May 2017, the court granted final approval of the 3.0 l TDI California Second Partial Consent Decree, the second 3.0 l TDI Partial Stipulated Order with the US Federal Trade Commission (FTC) and the class action settlement reached with private plaintiffs related to 3.0 l TDI vehicles.

On 13 April 2017, the federal court in the multidistrict litigation in California approved 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. Various cases filed against Volkswagen AG and its affiliates remain pending before the federal court in the multidistrict litigation in California, including class actions brought by competitor dealerships (i.e. non-Volkswagen car dealerships) and Volkswagen salespersons working at franchise dealerships, as well as purchasers of certain Volkswagen bonds and American Depositary Receipts (ADRs). Moreover, certain members of the consumer and dealer classes have opted out of the settlements in the California multidistrict litigation and instead filed their own lawsuits, which are pending in the California multidistrict litigation and various state courts in the United States.

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 US$2.8 billion criminal penalty, and imposed a sentence of three years’ probation.

Also on 21 April 2017, Canadian courts 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.

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In connection with the diesel issue, the public prosecutor’s office of Munich II initiated at first a criminal investigation against persons unknown in March 2017 and now against several suspects on suspicion of fraud and false advertising in connection with V6 3.0 l TDI vehicles. In July, misdemeanor proceedings against AUDI AG were filed in connection with the diesel issue. The investigations are still at an early stage and further progress remains to be seen.

In June 2017, Larry Thompson was named as an Independent Compliance Monitor and an Independent Compliance Auditor. Together with his team, he will be active for the period of three years pursuant to the criminal plea agreement and the third partial consent decree. Mr. Thompson (the “Monitor”) has significant experience in both public and private sectors, having served inter alia as a Deputy Attorney General; a United States Attorney
for the Northern District of Georgia; and as Executive Vice President and General Counsel for Pepsi-Co. Volkswagen AG and relevant related entities are working closely with the Monitor and his team to support them as they execute their mandates.

On 19 April 2017, a putative class action was filed against AUDI AG and certain affiliates alleging that defendants concealed the existence of “defeat devices” in Audi brand vehicles with automatic gearboxes. There are now 14 such putative class actions pending in the California multidistrict litigation. On 12 October 2017, plaintiffs filed a consolidated class action complaint. The defendants’ motion to dismiss is due on 11 December 2017.

In addition, five “mass actions” were filed in the California multidistrict litigation on behalf of approximately 500 individual plaintiffs alleging similar claims with respect to the existence of “defeat devices” in Audi brand vehicles with automatic gearboxes. The most recent of the mass action complaints was filed on 26 May 2017. In June 2017, the plaintiffs dismissed these actions without prejudice.

On 23 May 2017, the federal court in the multidistrict litigation in California remanded the consumer and environmental claims of 12 State Attorneys General (Alabama, Illinois, Maryland, Minnesota, Missouri, Montana, New Hampshire, New Mexico, Ohio, Oklahoma, Tennessee and Vermont) to their respective state courts, where future litigation of these claims will proceed.

In June 2017, Volkswagen Group Canada reached an agreement with its Volkswagen-branded franchise dealers to resolve issues related to the diesel issue. The agreement was reached without court process.

On 28 June 2017, the court in the multidistrict litigation in California granted in part and denied in part Volkswagen AG’s motion to dismiss plaintiffs’ First Amended Consolidated Securities Class Action Complaint, which was filed by certain purchasers of Volkswagen ADRs. On 19 July 2017, this court granted in part and denied in part Volkswagen AG’s motion to dismiss the class action complaint filed by purchasers of certain Volkswagen bonds. On 18 August 2017, plaintiffs filed an amended complaint, which Volkswagen AG moved to dismiss on 23 September 2017.

On 21 July 2017, the federal court in the multidistrict litigation in California approved a further California Partial Consent Decree, in which Volkswagen AG and certain affiliates had agreed with the California Attorney General and CARB to pay US$153.8 million in civil penalties and cost reimbursements. These penalties covered California environmental penalties for both the 2.0 I and
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3.0 l TDI vehicles. An agreement in principle had been reached on 11 January 2017.

Also on 21 July 2017, the California federal court granted the motion of the Plaintiffs’ Steering Committee seeking US$125 million in attorneys’ fees and costs in connection with the 3.0 l TDI settlement.

On 31 August 2017, the federal court in the multidistrict litigation in California granted Volkswagen AG, Volkswagen Group of America, Inc., AUDI AG, and Audi of America, LLC’s motion to dismiss the environmental suit filed by the State of Wyoming on the grounds that the lawsuit was preempted by the US Clean Air Act.

On 8 September 2017, a Canadian court approved the CAD 31.2 million agreement reached by Volkswagen AG and other Canadian and US Volkswagen Group companies to resolve class counsel’s legal fees in connection with the 2.0 l diesel class action settlement with Canadian consumers outside of the province of Quebec.

On 15 September 2017, a provincial regulator in Canada, the Ontario Ministry of the Environment and Climate Change, charged Volkswagen AG under the province’s environmental statute with one count alleging that it caused or permitted the operation of 2.0 l diesel vehicles that did not comply with prescribed emission standards. A court appearance is scheduled for 15 November 2017.

From July through September 2017, plaintiffs filed numerous complaints in various jurisdictions on behalf of putative classes of purchasers of German luxury vehicles against several automobile manufacturers, including Volkswagen AG and its related entities. These complaints assert claims under the US Sherman Antitrust Act, the Racketeer Influenced and Corrupt Organizations Act, state unfair competition and consumer protection statutes, and common law unjust enrichment. The complaints allege that since the 1990s, defendants engaged in a conspiracy to unlawfully increase the prices of German luxury vehicles by agreeing to share commercially sensitive information and to reach unlawful agreements regarding technology, costs, and suppliers. Moreover, the plaintiffs allege that the defendants agreed to limit the size of AdBlue tanks to ensure that US emissions regulators did not scrutinize the emissions control systems in defendants’ vehicles, and that such agreement for Volkswagen was the impetus for the creation of the defeat device. On 28 September 2017, a hearing before the Judicial Panel on Multidistrict Litigation (JPML) was held, and on 4 October 2017 the JPML issued its decision consolidating and transferring these cases to Judge Breyer in the Northern District of California.

In September 2017, a court of first instance in Brazil ruled against Volkswagen do Brasil in a product-related class action regarding the diesel issue. The decision is neither final nor enforceable. Volkswagen do Brasil will appeal against the
decision. Volkswagen currently assumes that in the final instance, a defense against this complaint is, for the most part, likely to be successful.

In Germany, the number of individual lawsuits filed by customers in connection with the diesel issue increased from 1,300 to 4,600.

On 21 July 2017, AUDI AG offered a software-based retrofit program for up to 850,000 vehicles with V6 and V8 TDI engines meeting the Euro 5 and Euro 6 emission standards in Europe and other markets except the USA and Canada. The measure will mainly serve to further improve the vehicles’ emissions in real driving conditions. Customers will not be charged for the new software. The full package is also offered for certain Porsche and Volkswagen models and comprises voluntary and compulsory measures that have already been reported to the authorities and partially considered within their decisions. For months, Audi has been systematically checking the emissions of engine-gearbox combinations, working closely with the authorities, in particular the German Federal Ministry of Transport and the German Federal Motor Transport Authority (KBA). Audi currently assumes that the overall cost of the software-based retrofit program including the scope related to recalls will be manageable and has recognized provisions in this respect. If the investigations by Audi and the discussions with the KBA should reveal that further measures are necessary, Audi will swiftly implement the required solutions in the interest of its customers as part of the retrofit program. The voluntary tests have already reached an advanced stage, but have not yet been completed. In addition, Audi is responding to requests from the US authorities for information regarding automatic gearboxes in certain vehicles. Further field measures with financial consequences can therefore not be ruled out completely at this time.

In Austria, the Supreme Court ruled in a final judgment on 7 July 2017 that the investor lawsuits against Volkswagen do not fall within the jurisdiction of the Austrian courts. Volkswagen expects this decision to result in the rejection or withdrawal of all investor lawsuits currently pending in Austria.

Worldwide (excluding USA and Canada), investor lawsuits, judicial applications for dunning procedures and conciliation proceedings, and claims under section 10(2) of the KapMuG are currently pending against the Volkswagen Group in connection with the diesel issue, with the claims totaling approximately €9 billion.

Oral hearings in the Capital Markets Model Case Proceedings concerning the acquisition by Porsche Automobil Holding SE of preferred shares in Volkswagen AG in 2008 began at the Celle Higher Regional Court on 12 October 2017. The competent senate of the Celle Higher Regional Court indicated
at the first hearing that, given the lack of substantiated submissions, it does not currently believe that Volkswagen AG had knowledge of the relevant circumstances or that any existing knowledge can be attributed on legal grounds to the “dual mandate holders” on the Volkswagen AG supervisory board. The legal counsels of the plaintiff in the Model Case Proceedings and the joined party Elliott subsequently submitted a motion to disqualify the judges on bias. Through a press release dated 24 October 2017, the higher regional court in Celle announced its decision to reject the motion to recuse judges on the grounds of bias. Volkswagen sees the statements of the court’s senate as confirmation that the claims made against the company have absolutely no basis.

In 2011, the European Commission conducted searches at European truck manufacturers on suspicion of an unlawful exchange of information during the period 1997 – 2011 and issued a statement of objections to MAN, Scania and the other truck manufacturers concerned in November 2014.

With its settlement decision in July 2016, the European Commission fined five European truck manufacturers. MAN’s fine was waived in full as the company had informed the EU Commission about the irregularities as a key witness.

In September 2017, the European Commission then fined Scania €0.88 billion. Scania plans to appeal to the European Court in Luxembourg and use all means at its disposal to defend itself. Scania had already recognized a provision of €0.4 billion in 2016.

Within the scope of the European Commission’s ongoing antitrust investigations regarding German automakers, authorities examined documents in the offices of Volkswagen AG in Wolfsburg and AUDI AG in Ingolstadt as part of an announced review. The Volkswagen Group and the group brands concerned have been cooperating fully and for a long time with the European Commission and have submitted a corresponding application. It is currently unclear whether the European Commission will instigate formal proceedings.

In addition, a few national and international authorities have initiated antitrust investigations. Volkswagen is cooperating closely with the responsible authorities in these investigations. An assessment of the underlying situation is not possible at this early stage.
Beyond this, there were no significant changes in the reporting period compared with the disclosures in the group management report and management report of Porsche SE for the fiscal year 2016 on the Volkswagen Group’s expected development in fiscal year 2017 as well as in publications concerning the diesel issue released up to the publication date of this group quarterly statement and other possible proceedings.
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 its vehicle and drivetrain portfolio in 2017 to concentrate on the most attractive and fastest-growing market segments.

The Volkswagen Group’s goal is to offer all customers the mobility and innovations they need, sustainably strengthening our competitive position in the process.

It expects that deliveries to customers of the Volkswagen Group 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 Volkswagen Group and of the passenger cars business area and commercial vehicles business area to grow by more than 4% year-on-year in 2017. In terms of the group’s operating profit before special items, Volkswagen estimates that the operating return on sales in 2017 will moderately exceed the original forecast range of between 6.0% and 7.0%. Also in the passenger cars business area, it expects to see an operating return on sales before special items moderately above the original target range of between 6.5% and 7.5%. For the commercial vehicles business area, Volkswagen anticipates an operating return on sales moderately above the initially envisaged range of between 3.0% and 5.0%. For the financial services division, Volkswagen is forecasting noticeably higher sales revenue and operating profit than in the prior year.

After deduction of special items, the Volkswagen Group anticipates an operating return on sales that is at the lower end of the expected target range for the group and marginally below the anticipated corridor for the passenger cars business area.
**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 earnings forecast is based on the current structure of the Porsche SE Group. Effects from any other future investments of the Porsche SE Group are not taken into account.

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

As of 30 September 2017, the Porsche SE Group had net liquidity of €961 million. The goal of both Porsche SE and the Porsche SE Group to achieve positive net liquidity remains unchanged. This is expected to be between €0.7 billion and €1.2 billion as of 31 December 2017, not taking future investments into account.