PORSCHE SE

Group quarterly statement

3rd Quarter

2019

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Porsche Automobil Holding SE ("Porsche SE" or the "company"), as the ultimate parent of the Porsche SE Group, is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. As of 30 September 2019, the Porsche SE Group had 903 employees (31 December 2018: 935 employees).

Porsche SE is a holding company. In particular, it holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft, Wolfsburg ("Volkswagen AG" or "Volkswagen"), one of the leading automobile manufacturers in the world. The Volkswagen Group comprises twelve brands in seven European countries: Volkswagen passenger cars, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen commercial vehicles, Scania and MAN. The collaboration between the Scania and MAN commercial vehicle brands is coordinated within the TRATON Group. In addition to the investment in Volkswagen AG, the Porsche SE Group holds 100% in PTV Planung Transport Verkehr AG, Karlsruhe ("PTV AG"), shares in INRIX Inc., Kirkland, Washington, USA ("INRIX"), as well as shares in three technology start-ups in the USA.

The principal criteria of Porsche SE for investments are the connection to the automotive value chain, industrial production or the future of mobility. The automotive value chain comprises the entire spectrum from basic technologies and supporting the development and production process through to vehicle- and mobility-related services. The prerequisites for investment by Porsche SE are always the positioning in an attractive market environment and above-average growth potential.

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

This group quarterly statement by Porsche SE relates to the development of business and its effects on the results of operations, financial position and net assets in the first nine months of the fiscal year 2019, and contains information on the period from 1 January to 11 November 2019.

All figures and percentages are rounded according to customary business practice, so minor discrepancies may arise from the addition of these amounts. The comparative prior-year figures are presented in parentheses alongside the figures for the current reporting period.

Content

Significant events and developments at the Porsche SE Group

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 2019, unless reference is made in this section to another time period.

Diesel issue at the level of the Volkswagen Group

On 18 September 2015, the US Environmental Protection Agency (EPA) publicly announced in a notice of violation that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles of the Volkswagen Group with type 2.0 l diesel engines in the USA. This led to authorities in their respective jurisdictions worldwide commencing their own investigations ("diesel issue").

In the period from January to September 2019, the Volkswagen Group's operating result was influenced by negative special items in connection with the diesel issue of minus €1.3 billion (minus €2.4 billion) in the passenger car business area. They result from additional expenses for legal risks in particular from the administrative order issued by the Stuttgart public prosecutor of €0.5 billion, thereby settling the ongoing misdemeanor proceeding against Dr. Ing. h.c. F. Porsche AG, as well as higher legal defense costs.

As the majority shareholder, Porsche SE continues to be affected by this issue, in particular with regard to its result from investments accounted for at equity. Furthermore, the proportionate market capitalization of its investment in Volkswagen AG is influenced by the resulting development of the prices of the Volkswagen ordinary and preference shares. As of 30 September 2019, there was no need to recognize an impairment loss on the basis of the earnings forecasts for the investment accounted for at equity in Volkswagen AG. However, particularly a further increase in the costs of mitigating the diesel issue might still lead to an impairment in the value of the investment. There may also still be subsequent effects on the dividend policy of Volkswagen AG and therefore on the cash inflows at the level of Porsche SE. Legal risks from claims brought against Porsche SE stemming from the diesel issue may also have an effect on the results of operations, financial position and net assets of the Porsche SE Group. For details of this matter, please refer to the explanations in the sections "Significant events and developments at the Volkswagen Group" and "Results of operations, financial position and net assets", the report on opportunities and risks of the Volkswagen Group and the "Forecast report and outlook" section in the combined group management report in the annual report of Porsche SE for the fiscal year 2018.

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 that arose during the reporting period are described in the following:

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

A model case according to the Capital Markets Model Case Act (KapMuG) against Porsche SE initiated by an order of reference of the Regional Court of Hanover dated 13 April 2016 is pending with the Higher Regional Court of Celle. Subject of those actions are alleged damage claims based on alleged market manipulation and alleged inaccurate information in connection with Porsche SE's acquisition of the shareholding in Volkswagen AG. In part these claims are also based on alleged violations of antitrust regulations. In the six initial proceedings suspended with reference to the model case a total of 40 plaintiffs assert alleged claims for damages of about €5.4 billion (plus interest). Since the beginning of the model case several hearings have already been held before the Higher Regional Court of Celle, in which the court, inter alia, explained its preliminary view on the state of affairs and of the dispute. The next dates for hearings are scheduled for January 2020. Porsche SE is of the opinion that the claims asserted in the suspended initial proceedings are without merit and that the requested establishment objectives in the model case will be rejected. Porsche SE considers its opinion endorsed by the previous development of the oral hearing before the Higher Regional Court of Celle.

In the proceeding pending before the Regional Court of Frankfurt against an incumbent and a former member of the supervisory board of Porsche SE, Porsche SE joined as intervener in support of the defendants. The former member of the supervisory board has passed away in the meantime, which is of no immediate effect for the proceeding. Other than this, there were no new developments during the reporting period. In this proceeding the same alleged claims are asserted that are already subject of a currently suspended action concerning alleged damages of about €1.81 billion (plus interest) pending against Porsche SE before the Regional Court of Hanover. Porsche SE considers these claims to be without merit.

Since 2012 Porsche SE and two companies of an investment fund have been in dispute over the existence of alleged claims in the amount of about US$195 million and have filed lawsuits in Germany and England respectively. On 6 March 2013, the English proceedings were suspended at the request of both parties until a final decision had been reached in the proceedings commenced in the Regional Court of Stuttgart concerning the question of which court is the court first seized. A final decision on this issue continues to be outstanding. Currently, the proceeding is pending before the Higher Regional Court of Stuttgart. In both April and October 2019 the Higher Regional Court of Stuttgart rejected a motion to recuse judges filed by the defendant companies of the investment fund. Porsche SE considers the action filed in England to be inadmissible and the asserted claims to be without merit.

Legal proceedings and legal risks in connection with the diesel issue

In connection with the diesel issue (see the description in the combined management report for the fiscal year 2018 in the section “Diesel issue” in the section “Significant events and developments at the Volkswagen Group”), legal proceedings with a total volume of approximately €1.1 billion (plus interest) are pending against Porsche SE before the Regional Court of Stuttgart, the Higher Regional Court of Stuttgart and the Regional Court of Braunschweig. The plaintiffs accuse Porsche SE of alleged nonfeasance of capital market information respectively alleged incorrect capital market information in connection with the diesel issue. Some of these proceedings are directed against both Porsche SE and Volkswagen AG. In one proceeding, in addition to Porsche SE, Robert Bosch GmbH was made defendant. Porsche SE considers the actions to be inadmissible in part, but in any case to be without merit. Since the status reported in the annual report 2018, the following significant developments occurred during the reporting period.

Before the Regional Court of Stuttgart 199 actions are currently pending at first instance. The actions concern payment of damages, if quantified, in the total amount of approximately €927 million (plus interest) and in part establishment of liability for damages. In the majority of the proceedings pending before the Regional Court of Stuttgart, motions for recusal by the plaintiff side are pending, in which a final decision is yet to be made. 30 claims for damages against Porsche SE, with a claim volume (according to the current assessment of the partially unclear head of claims) of approximately €9 million (plus interest), are pending before the Regional Court of Braunschweig. A number of the proceedings pending before the Regional Court of Stuttgart and the Regional Court of Braunschweig are currently suspended with reference to the KapMuG proceedings pending before the Higher Regional Court of Stuttgart and the Higher Regional Court of Braunschweig. Porsche SE considers the actions filed against it before the Regional Court of Stuttgart to be without merit. The actions filed against Porsche SE before the Regional Court of Braunschweig are considered by Porsche SE to be inadmissible and to be without merit.

In addition, two further proceedings, in which a total of further approximately €164 million (plus interest) in damages were claimed, are pending before the Higher Regional Court of Stuttgart on appeal. The Regional Court of Stuttgart granted these actions in the amount of approximately €47 million (plus interest) and otherwise dismissed the actions on 24 October 2018. Porsche SE and the respective plaintiffs filed appeals. On 12 September 2019, an oral hearing was held before the Higher Regional Court of Stuttgart. By orders rendered on 29 October 2019, the Higher Regional Court of Stuttgart suspended the appeal proceedings with reference to the KapMuG proceedings pending before the Higher Regional Court of Stuttgart and the Higher Regional Court of Braunschweig. Porsche SE considers these actions filed against it before the Regional Court of Stuttgart to be without merit.

A KapMuG proceeding, initiated by order for reference of the Regional Court of Stuttgart of 28 February 2017, is pending before the Higher Regional Court of Stuttgart. Following a hearing on 6 February 2019, the Higher Regional Court of Stuttgart decided by court order dated 27 March 2019 that the model case proceeding is inadmissible. The appeal on points of law was permitted and filed by some plaintiffs of the suspended initial proceedings.

Following corresponding orders to suspend the proceedings by the Regional Court of Braunschweig and the courts of Stuttgart, Porsche SE became a further model case defendant in the model case proceedings before the Higher Regional Court of Braunschweig. By order of 23 October 2018, the Higher Regional Court of Braunschweig dismissed applications of joined parties for the extension of the model case before the Higher Regional Court of Braunschweig to include establishment objectives relating exclusively to alleged claims against Porsche SE. The appeal on points of law was permitted and has since been filed by joined parties. On 12 August 2019, the Higher Regional Court of Braunschweig issued a partial model case ruling regarding questions of jurisdiction. This decision was appealed by joined parties on points of law. Several hearings have been held before the Higher Regional Court of Braunschweig. The next hearing is scheduled for 16 December 2019.

With regard to claims asserted out of court and not yet brought to court against Porsche SE regarding the diesel issue with a total amount of approximately €63 million and in some case without defined amounts no significant new developments have occurred during the reporting period.

The same applies to the waiver of the statute of limitations defense granted by Porsche SE to the United States of America and to the investigation proceedings on suspicion of market manipulation against Prof. Dr. Martin Winterkorn, Hans Dieter Pötsch and Matthias Müller as well as to the so-called status proceeding. There were no significant new developments in the reporting period.

In the shareholder proceedings, the Regional Court of Stuttgart had granted the action of nullity and for annulment regarding the resolutions of the annual general meeting on 29 June 2016 on the exoneration of the executive board and the supervisory board for the fiscal year 2015 by decision dated 19 December 2017. Porsche SE has appealed this decision. By order dated 7 October 2019, the Higher Regional Court of Stuttgart indicated that it intends to dismiss the appeal. Porsche SE does not share this view and still considers the action to be without merit.

In addition, the Regional Court of Stuttgart had granted a motion for disclosure of information of the same shareholder regarding questions allegedly asked and allegedly answered insufficiently at the annual general meeting on 29 June 2016 with respect to five questions and dismissed it regarding the remaining 49 questions by decision dated 5 December 2017. Porsche SE has appealed this decision. By order dated 7 October 2019, the Higher Regional Court of Stuttgart indicated that it considers the appeal to be inadmissible. Porsche SE does not share this view and still considers the appeal to be admissible and the motion to be without merit.

Apart from this, no significant changes occurred during the reporting period compared with the information provided in section “Significant developments and current status relating to litigation risks and legal disputes” in the group management report in the annual report 2018 of Porsche SE. In particular, Porsche SE continues not to have reliable findings or assessments that would lead to a different evaluation of the legal risks.

Significant events and developments at the Volkswagen Group

The following significant events and developments occurred at the Volkswagen Group in the third quarter of the fiscal year 2019:

Partnerships

In July 2019, Volkswagen announced the plan to invest with Ford in Argo AI, a company that works on the development of software platforms for autonomous driving. This alliance allows both car companies to integrate Argo AI's self-driving system into their own models independently of each other. The system is designed to make fully automated driving possible and to open up new possibilities, particularly for ride sharing and delivery services in urban areas by using fully automated vehicles. In addition, Ford intends to use the Modular Electric Drive Toolkit (MEB) developed by Volkswagen for a zero-emissions volume model, which is to be offered in Europe starting in 2023. With the partnership, both Volkswagen and Ford intend to be in a position to better tailor their products to meet the needs of customers worldwide, while improving their competitiveness, cost and capital efficiencies. The agreement of the Argo transaction is subject to the approval of various official authorities and additional requirements.

Also in July 2019, Volkswagen expanded its activities in the field of charging infrastructure and announced plans to cooperate closely with has·to·be GmbH, a leading provider of operating systems for electric mobility. The Volkswagen Group is to acquire a minority stake in the company via its subsidiary Volkswagen Group Charging GmbH and the associated brand Elli (Electric Life). Together, has·to·be GmbH and Volkswagen intend to forge ahead with the expansion of the pan-European charging network and participate in the growing market for charging solutions. Also some of the group's own charging stations are already in operation using software from has·to·be GmbH and are therefore part of a holistic, integrated charging ecosystem.

At the end of August 2019, Volkswagen acquired a minority stake in the technology company SeeReal Technologies. This participation will promote access for the Volkswagen Group to the pioneering field of augmented reality, and more specifically, of future three-dimensional holographic display technologies for cars. In contrast to head-up displays of the type already available on the market, information will be projected via augmented reality technology into the driver's field of vision, with direct links to the driver's environment.

Business development

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

General economic development

The global economy maintained its robust growth in the first three quarters of 2019, but at a slowing pace. The average rate of expansion of gross domestic product (GDP) was down year on year in both the advanced and the emerging market economies. Prices for energy and other commodities decreased on average compared with the prior-year period. The upheaval in trade policy and economic uncertainty resulted in a wane in the international trade of goods in the reporting period.

Trends in the markets for passenger cars and light commercial vehicles

Between January and September 2019, global demand for passenger cars was weaker than in the prior-year period (down 5.0%). While new registrations in the Central and Eastern Europe region slightly exceeded the prior-year figure, the overall markets in Western Europe, the Middle East, North America, South America and Asia-Pacific recorded dips.

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

Trends in the markets for commercial vehicles

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was moderately higher between January and September 2019 than in the prior-year period. Demand for buses was also significantly above the prior-year level. This was due in particular to a considerable rise in demand in Western Europe and substantial growth in Brazil.

Volkswagen Group deliveries

The Volkswagen Group delivered 8.0 million vehicles to customers worldwide from January to September 2019. This was 1.5% lower or 125 thousand fewer units than in the same period of the prior year. While sales figures for the commercial vehicles business area exceeded the prior-year level, there was a slight decline in the number of models delivered to customers from the passenger cars business area. The Volkswagen commercial vehicles brand has been reported as part of the passenger cars business area since 1 January 2019. The prior-year figures have been adjusted.

Global demand for the Volkswagen Group's passenger cars and light commercial vehicles fell year on year by 1.7% to 7.83 million units during the reporting period amid continuously challenging market conditions. This was due in particular to declines in overall markets – especially in the Asia-Pacific and Middle East regions. In addition, deliveries in July and August were down on the comparison figures, especially as a result of customers bringing forward purchases in the prior year in connection with the changeover to the WLTP. By contrast, the WLTP had a positive impact on the relevant markets in September. Other contributory causes were the limited availability of petrol engines and model changes. As a result, the Volkswagen Passenger Cars, Audi, ŠKODA and Volkswagen Commercial Vehicles brands fell short of their high prior-year levels. Performance was particularly encouraging at the SEAT brand (up 9.4%) – which recorded the best nine-month result in its corporate history – and at Lamborghini (up 83.4%). Porsche, Bentley and Bugatti also increased their deliveries year on year. In Western Europe, South America and Africa, Volkswagen registered a higher demand than in the prior-year period, while its deliveries in the Central and Eastern Europe, Middle East, North America and Asia-Pacific regions declined. Its passenger car market share expanded in a declining overall market worldwide to 12.7% (12.2%).

In the first nine months of 2019, the Volkswagen Group delivered a total of 179 thousand commercial vehicles to customers worldwide (up 7.7%). Trucks accounted for 153 thousand units (up 5.6%) and buses for 16 thousand units (down 3.8%). Deliveries of light commercial vehicles by the MAN brand amounted to 10 thousand (5 thousand) units.

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

Deliveries of passenger cars, light commercial vehicles, trucks and buses of the Volkswagen Group from 1 January to 30 September[1]

	2019	2018	Change %
Regions			
Europe/Other markets	3,687,850	3,684,307	0.1
North America	702,867	713,295	–1.5
South America	447,000	436,413	2.4
Asia-Pacific	3,167,449	3,296,577	–3.9
Worldwide	**8,005,166**	**8,130,592**	**–1.5**
by brands			
Volkswagen passenger cars	4,514,552	4,622,842	–2.3
Audi	1,357,102	1,407,672	–3.6
ŠKODA	913,723	939,064	–2.7
SEAT	454,797	415,575	9.4
Bentley	7,155	7,107	0.7
Lamborghini	6,517	3,554	83.4
Porsche	202,318	196,562	2.9
Bugatti	62	52	19.2
Volkswagen commercial vehicles	369,849	371,836	–0.5
Scania	74,720	68,639	8.9
MAN	104,371	97,689	6.8

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

Sales and production in the Volkswagen Group
In the first nine months of 2019, the Volkswagen Group's unit sales to the dealer organization[1] (including the Chinese joint ventures) fell by 1.7% in comparison with the prior-year period to 7.98 million vehicles. This was due to lower demand, especially in China, Turkey and Argentina. Between January and September 2019, the Volkswagen Group's production decreased by 2.5% year on year to a total of 7.97 million vehicles. Production in Germany fell by 6.6% to 1.6 million units. The proportion of production in Germany declined to 20.1% (21.0%).

Inventories in the Volkswagen Group
Global inventories at group companies and in the dealer organization were lower on 30 September 2019 than at year-end 2018 but exceeded the corresponding prior-year figure.

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

The financial services division's products and services were very popular in the period from January to September 2019. The number of new financing, leasing, service and insurance contracts was 6.9 million (6.6 million) worldwide. The percentage of leased and financed vehicles to Volkswagen Group deliveries (penetration rate) in the financial services division's markets amounted to 34.9% (34.5%) in the reporting period. As of 30 September 2019, the total number of contracts was 23.5 million, up 6.3% from 31 December 2018.

Employees of the Volkswagen Group
By the end of the third quarter of 2019, the Volkswagen Group's total headcount had increased by 1.1% on year-end 2018 to a total of 671,771 employees worldwide. The number of employees in Germany rose by 1.5% compared with year-end 2018 to 297,120. Among other things, this was due to recent recruitments in the areas of electric mobility, digitalization and new mobility offerings.

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

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

In the following explanations, the significant results of operations as well as the financial position and net assets of the Porsche SE Group are presented for the first nine months of the fiscal year 2019 and as of 30 September 2019. While the prior-year figures for the results of operations and cash flows relate to the period from 1 January to 30 September 2018, the net assets use figures as of 31 December 2018 as comparative figures.

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

The Porsche SE Group distinguishes between two segments. The first segment, "PSE", primarily represents Porsche SE holding operations including the investments accounted for at equity. The second segment, "Intelligent Transport Systems" ("ITS"), comprises the development of smart software solutions for transport logistics as well as traffic planning and traffic management. The results of operations of the Porsche SE Group are mainly the sum of the two segments, as the consolidation effects are immaterial.

Results of operations of the Porsche SE Group

The Porsche SE Group's result after tax came to €3,523 million (€2,672 million) in the first nine months of the fiscal year 2019. Of this, €3,531 million (€2,686 million) related to the PSE segment. For the ITS segment, a result after tax of minus €8 million was derived (minus €14 million). This included effects from the purchase price allocation amounting to minus €7 million (minus €7 million).

The result after tax for the PSE segment was significantly influenced by the result from the investment in Volkswagen AG accounted for at equity of €3,588 million (€2,740 million). This contained profit contributions from ongoing equity accounting of €3,333 million (€2,801 million) as well as subsequent effects from purchase price allocations of minus €71 million (minus €61 million). This figure also includes provisional income from the acquisition of further ordinary shares in Volkswagen of €326 million (€0 million). Between early December 2018 and mid-March 2019, Porsche SE acquired 0.9% of the ordinary shares in Volkswagen AG for a total of €397 million in a series of capital market transactions. The acquisitions resulted overall in provisional income from first-time at equity accounting of €423 million, of which

€97[1] million related to the acquisitions made until the end of the fiscal year 2018. The income was mainly attributable to the fact that the fundamental data for the Volkswagen Group used particularly in the valuation of the brands and the investments accounted for at equity are not fully reflected in the share price and therefore the acquisition costs when calculating the pro rata revalued equity. The purchase price allocation had still not been completed when the group quarterly statement was being prepared.

Both other operating expenses in the PSE segment and personnel expenses were down significantly on the prior year at €17 million (€33 million) and €9 million (€12 million), respectively. This was primarily due to the decrease in expenses for legal and consulting fees as well as the absence of personnel-related payments to a former member of the executive board. The increase in the financial result from minus €2 million in the prior-year period to €9 million was primarily attributable to profit contributions from financial instruments measured at fair value. The deferred income tax expense of €41 million (€8 million) was primarily due to deferred taxes resulting from the increase in the carrying amount of the investment in Volkswagen AG accounted for at equity as well as a countereffect from the increase in deferred tax assets on loss carryforwards.

In the reporting period, the ITS segment generated revenue of €79 million (€69 million), resulting primarily from maintenance services rendered, license sales, the project business and hosting services. In particular, revenue for recurring services increased by 18.6%. Furthermore, the ITS segment generated income from selling shares in PTV Truckparking B.V. to Volkswagen Financial Services GmbH. With personnel expenses and the current income tax expense increasing by €4 million and €2 million year on year, respectively, the result after tax improved by €6 million compared to the prior year.

[1] For the ordinary shares in Volkswagen AG acquired in December 2018, provisional income from first-time at equity accounting of €79 million was recognized in the fiscal year 2018. New findings from the purchase price allocation, in particular with regard to the measurement of the property, plant and equipment, brands and investments caused this income to increase by €18 million to €97 million. The prior-year figures have been adjusted accordingly.

Financial position and net assets of the Porsche SE Group

Net liquidity of the Porsche SE Group, i.e., cash and cash equivalents, time deposits and securities less financial liabilities, decreased to €566 million (€864 million) as of the end of the third quarter of 2019 mainly due to acquisitions of ordinary shares in Volkswagen AG in the first quarter of 2019 and taking into consideration IFRS 16 effects.

The Porsche SE Group's total assets increased by €662 million from €33,708[1] million as of 31 December 2018 to €34,371 million as of the end of the third quarter.

The Porsche SE Group's non-current assets primarily relate to the carrying amount of the investment in Volkswagen AG accounted for at equity of €33,404 million (€32,508[1] million). Of the increase in the carrying amount, €3,588 million is attributable to the result from the investments accounted for at equity while €311 million is attributable to the acquisition of further ordinary shares in Volkswagen AG. This was counterbalanced by other comprehensive income as well as expenses and income recognized in equity of minus €2,251 million which are largely attributable to changes in the interest rate and the related actuarial remeasurement of the pension provisions at the level of the Volkswagen Group. Furthermore, dividend payments received of €753 million caused the carrying amount accounted for at equity to decrease.

Intangible assets of the Porsche SE Group of €245 million (€255 million) primarily contain the goodwill of the PTV Group of €147 million as well as the amortized carrying amounts for customer bases, software and brand from the purchase price allocation. Current assets of €642 million (€916 million) mainly consist of cash and cash equivalents, time deposits and securities.

As of 30 September 2019, the equity of the Porsche SE Group increased to a total of €34,043 million (€33,416[1] million) in particular due to the positive group result after tax; this was counterbalanced by dividend payments made to the shareholders of Porsche SE and other comprehensive income. The equity ratio decreased slightly from 99.1% as of the end of the fiscal year 2018 to 99.0% on 30 September 2019.

Results of operations of the Volkswagen Group

The following statements relate to the original results of the Volkswagen Group. This means that effects from at equity inclusion in the consolidated financial statements of Porsche SE, particularly relating to the

[1] Prior-year figures were adjusted due to the change in a purchase price allocation.

subsequent measurement of the hidden reserves and liabilities identified in the course of the purchase price allocations, are not taken into consideration. It should also be noted that the group result of Porsche SE only reflects its capital share in the result of the Volkswagen Group.

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

The Volkswagen Group recorded revenue of €186.6 billion in the first nine months of 2019. The 6.9% rise was due to mix and price improvements, higher vehicle sales when the Chinese joint ventures are excluded, and the healthy business performance in the financial services division; these factors were set against a negative exchange rate trend. The Volkswagen Group generated 80.4% (81.0%) of its revenue abroad. At €36.4 billion (€35.0 billion), gross profit was higher than in the prior year. The gross margin stood at 19.5% (20.1%).

The Volkswagen Group's operating result before special items rose by €1.5 billion to €14.8 billion in the period from January to September 2019. The operating return on sales before special items amounted to 7.9% (7.6%). The main factors with a positive impact were improvements in the mix, in price positioning and in product costs, and effects of the fair value measurement of certain derivatives, while a rise in fixed costs had an offsetting effect. Special items of minus €1.3 billion (minus €2.4 billion) resulting from the diesel issue weighed on the operating result to a considerably lesser extent than in the prior-year period. As a result, the Volkswagen Group's operating result of €13.5 billion was €2.7 billion higher than a year earlier. The operating return on sales increased to 7.3% (6.2%).

The financial result stood at €1.1 billion, a decline of €0.5 billion compared with the prior year. The interest expenses included in this item were up markedly, driven by the rise in the refinancing volume, the interest expense on provisions, and the application of the new IFRS 16. The result of equity-accounted investments was up on the prior year.

The Volkswagen Group's result before tax rose by €2.1 billion to €14.6 billion in the reporting period. The result after tax increased year on year to €11.2 billion (€9.4 billion).

Opportunities and risks of future development

Opportunities and risks of the Porsche SE Group

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

Opportunities and risks of the Volkswagen Group

Due to weaker demand for passenger cars worldwide, Volkswagen has adjusted its expected deliveries to customers. Special items resulting from the diesel issue had a negative impact on the operating result in the reporting period. Its forecast for the operating result before special items for the group and the passenger cars business area remains unchanged. Volkswagen has reduced the forecast for its operating result including special items for the fiscal year 2019. In the power engineering business area, Volkswagen expects a distinctly higher operating loss than in the prior year amid a slight rise in revenue.

In particular, the status of the legal proceedings at the level of the Volkswagen Group is updated in the interim report of the Volkswagen Group. Beyond this, there were no significant changes in the reporting period compared with the disclosures on the Volkswagen Group's expected development in the fiscal year 2019 in the "Forecast report and outlook" and "Opportunities and risks of the Volkswagen Group" sections – including the underlying description of the issues in the section entitled "Diesel issue" in the section "Significant events and developments at the Volkswagen Group" – of the combined management report in the 2018 annual report of Porsche SE.

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

Outlook

Anticipated development of the Volkswagen Group

The Volkswagen Group is well prepared overall for the future challenges pertaining to the automobility business and the mixed developments in regional vehicle markets. Its brand diversity, presence in all major world markets, its broad, selectively expanded product range and pioneering technologies and services put the Volkswagen Group in a good competitive position worldwide. As part of the transformation of its core business, Volkswagen is positioning its group brands with a stronger focus on their individual characteristics and optimizing the vehicle and drive portfolio. The focus hereby is primarily on its vehicle fleet's carbon footprint and on the most attractive and fastest-growing market segments. In addition, the Volkswagen Group is working to make even more focused use of the advantages of its multibrand group by continuously developing new technologies and its toolkits.

The Volkswagen Group expects that deliveries to customers in 2019 will be in line with the prior year amid continued challenging market conditions.

Challenges will arise particularly from the economic situation, the increasing intensity of competition, exchange rate volatility and more stringent WLTP requirements.

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

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

Anticipated development of the Porsche SE Group

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

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

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

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

Based on the current group structure, in particular on the basis of the Volkswagen Group's expectations regarding its future development and the ongoing existing uncertainties with regard to possible special items in connection with the diesel issue, the Porsche SE Group continues to expect a group profit after tax of between €3.4 billion and €4.4 billion for the fiscal year 2019.

As of 30 September 2019, the Porsche SE Group had net liquidity of €566 million. The goal of the Porsche SE Group to achieve positive net liquidity remains unchanged as of 31 December 2019. This is expected to be between €0.3 billion and €0.8 billion, not taking future investments into account.

Glossary

Selected terms at a glance

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

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

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

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

This group quarterly statement is available in German and English.

In case of doubt the German version is binding.

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