PORSCHE SE

Group quarterly statement

3rd Quarter

2021

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Business development

3rd Quarter 2021

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 2021, the Porsche SE Group had 888 employees (916 employees).

Porsche SE is a holding company with investments in the areas of mobility and industrial technology. In particular, it holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft, Wolfsburg ("Volkswagen AG", "Volkswagen" or "VW"), one of the leading automobile manufacturers in the world. As the parent company of the Volkswagen Group, Volkswagen AG directly and indirectly holds investments in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Dr. Ing. h.c. F. Porsche AG, TRATON SE, Volkswagen Financial Services AG, Volkswagen Bank GmbH as well as in numerous other companies in Germany and abroad. In addition to the investment in Volkswagen AG, as of 30 September 2021 the Porsche SE Group holds 100% of the shares in PTV Planung Transport Verkehr AG, Karlsruhe ("PTV AG" or "PTV"), and non-controlling interests in seven technology companies based in the USA, Israel and Germany.

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

This group quarterly statement by Porsche SE relates to the development of business and its effects on the results of operations, financial position and net assets in the first nine months of the fiscal year 2021.

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

Significant events and developments at the Porsche SE Group

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 2021, unless reference is made in this section to another time period.

Global spread of the coronavirus SARS-CoV-2

Throughout the whole of 2020, the global spread of the SARS-CoV-2 virus brought enormous disruption to all areas of everyday life and the economy.

The mostly dynamic increase in the rate of infection initially continued in many places throughout 2021. Conversely, most regions of the world saw a declining rate of new infections in the third quarter of 2021. Against this backdrop, many countries largely lifted their restrictions on everyday life and the economy, depending on the progress of their vaccination campaigns, even though the Covid-19 pandemic has not yet been successfully contained.

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

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

The group result after tax and non-controlling interests of the Volkswagen Group increased to €10.9 billion in the first three quarters of the fiscal year 2021 compared to €1.4 billion in the prior-year period. From January to September 2021, negative special items in connection with the diesel issue affected the passenger cars business area's operating result in an amount of €0.2 billion (€0.7 billion). They largely result from legal risks. Furthermore, the Covid-19 pandemic and the measures taken around the world to contain it as well as supply shortages for semiconductors had had a significant impact on business (see also sections "Business development" and "Results of operations of the Volkswagen Group").

Volkswagen AG's preferred and ordinary shares also recovered from the loss in value caused by the pandemic. Their prices were up 27% and 58% respectively compared to the end of 2020.

As of 30 September 2021, no indicators for an impairment loss have been identified on the basis of the earnings forecasts and share performance for the investment in Volkswagen AG accounted for at equity. However, an impairment in the value of the investment cannot be ruled out, particularly in the event of any sustained decline in earnings due to the Covid-19 pandemic and/or a further increase in the costs of mitigating the diesel issue. In addition, there may be consequences for the dividend policy of Volkswagen AG and therefore for the cash inflows at the level of Porsche SE. Please refer to the explanations in the section "Opportunities and risks of future development" in the combined management report for the fiscal year 2020.

Advancement of PTV AG

In October 2021, Bridgepoint Advisers Limited (“Bridgepoint”), London, UK, and Porsche SE entered into a partnership to advance the development of PTV AG. In this context, the private equity company will have a 60% shareholding in PTV, while Porsche SE will retain a significant stake of 40% in the company. As a result, Porsche SE will account for PTV as an associate at equity. As a result of the partnership with Bridgepoint, Porsche SE sees a considerable increase in the potential for value development at PTV and will participate in this significantly through its remaining share in the company. The transaction, which is subject to regulatory approvals, is scheduled to complete by the end of 2021/beginning of 2022. As of 30 September 2021, PTV is classified as a discontinued operation as defined by IFRS 5 (see also the section “Explanatory notes on results of operations, financial position and net assets”).

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

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

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

A model case according to the Capital Markets Model Case Act (KapMuG) against Porsche SE initiated by an order of reference of the Regional Court of Hanover dated 13 April 2016 is pending with the Higher Regional Court of Celle. Subject of those actions are alleged damage claims based on alleged market manipulation and alleged inaccurate information in connection with Porsche SE’s increase of the investment in Volkswagen AG. In part these claims are also based on alleged violations of antitrust regulations. In the six initial proceedings suspended with reference to the model case, a total of 40 plaintiffs are asserting alleged claims for damages of about €5.4 billion (plus interest). Since the beginning of the model case, several hearings have already been held before the Higher Regional Court of Celle, in which the court, inter alia, explained its preliminary view on the state of affairs and of the dispute. The next hearings are scheduled to begin on 1 December 2021.
Porsche SE is of the opinion that the claims asserted in the suspended initial proceedings are without merit and that the requested establishment objectives in the model case will be rejected. Porsche SE considers its opinion endorsed by the previous development of the oral hearing before the Higher Regional Court of Celle.

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

Since 2012, Porsche SE and two companies of an investment fund have been in dispute over the existence of alleged claims in the amount of about US$195 million and have filed lawsuits in Germany and England respectively. On 6 March 2013, the English proceedings were suspended at the request of both parties until a final decision had been reached in the proceedings commenced in the Regional Court of Stuttgart concerning the question of which court is the court first seized. A final decision on this issue continues to be outstanding. Currently, the proceedings are pending before the Higher Regional Court of Stuttgart. No significant new developments occurred in these proceedings during the reporting period. Porsche SE considers the action filed in England to be inadmissible and the asserted claims to be without merit.

Legal proceedings and legal risks in connection with the diesel issue

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

Before the Regional Court of Stuttgart 199 actions are currently pending at first instance. After partial dismissals as inadmissible and withdrawal of a few lawsuits, the actions concern payment of damages, if quantified, in the total amount of approximately €789.5 million (plus interest) and in part establishment of liability for damages. After a partial withdrawal of claims, 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 €8.7 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 was claimed, are pending before the Higher Regional Court of Stuttgart on appeal. The Regional Court of Stuttgart had 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. In a further appeal proceeding before the Higher Regional Court of Stuttgart, plaintiffs object that the Regional Court of Stuttgart dismissed their actions as inadmissible on 26 August 2021. The amount in dispute is approximately €124 million (plus interest). Porsche SE considers these actions pending against it before the Higher Regional Court of Stuttgart to be without merit.

A KapMuG proceeding, initiated by order for reference of the Regional Court of Stuttgart of 28 February 2017, is pending before the Higher Regional Court of Stuttgart. On 22 October 2020, the Higher Regional Court of Stuttgart appointed a model case plaintiff. The first oral hearing took place on 28 July 2021. The next oral hearing is set to continue on 9 and 10 November 2021.

Following corresponding orders to suspend the proceedings by the Regional Court of Braunschweig and the courts of Stuttgart, Porsche SE became a further model case defendant in the model case proceedings before the Higher Regional Court of Braunschweig. The Higher Regional Court of Braunschweig issued a meanwhile binding partial model case ruling regarding questions of jurisdiction. Several oral hearings have taken place before the Higher Regional Court of Braunschweig. The next oral hearing is set to take place on 8 February 2022.

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

The regulatory fining proceedings pursuant to Sec. 30, 130 OWiG [“Ordnungswidrigkeitengesetz”: German Regulatory Offenses Act] against Porsche SE initiated in connection with the discontinued investigation proceedings on suspicion of market manipulation against (former) board members has meanwhile been terminated.

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

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

So-called status proceedings were initiated against Porsche SE before the Regional Court of Stuttgart. The applicant has asked the court to find that Porsche SE's supervisory board is to be composed of half shareholder representatives and half employee representatives. Porsche SE considers this application to be inadmissible and unfounded.

Significant events and developments at the Volkswagen Group

In the third quarter of the fiscal year 2021, the following significant events and developments occurred at the Volkswagen Group:

Covid-19 pandemic/supply shortages

The rate of infections leveled off in the course of the first nine months of 2021 for reasons that include the increasing vaccination rate. Against this backdrop, many countries largely lifted their restrictions on everyday life and the economy, depending on the progress of their vaccination campaigns. In the interim consolidated financial statements as of 30 September 2021, no material impairment losses attributable to the Covid-19 pandemic had to be recognized at the level of the Volkswagen Group.

The semiconductor shortage and the resulting supply bottlenecks had an increasingly negative impact across the entire industry. This also impacted on production at the Volkswagen Group. For further details, please refer to the sections “Results of operations of the Volkswagen Group”, “Opportunities and risks of the Volkswagen Group” and “Anticipated development of the Volkswagen Group”.

Partnerships

In early July 2021, the TRATON GROUP together with Daimler Truck and the Volvo Group signed a declaration of intent on the creation and operation of a public high-performance charging network for battery electric heavy-duty long-haul trucks and coaches in Europe. The aim is to build and accelerate publicly accessible charging infrastructure. The agreement lays the foundation for a planned joint venture to be owned in equal shares by the three parties.

In July 2021, Volkswagen announced the establishment of a joint venture with TraceTronic, a solution provider for the testing and integration of vehicle software. Volkswagen and TraceTronic each hold 50% in the joint venture neocx, which aims to set up a continuous integration/continuous testing (CI/CT) factory. This is a platform that brings together powerful tools for the highly automated testing and integration of automotive software and connected services. In future, the CI/CT factory is to harmonize the testing and integration landscape across the Volkswagen Group.

At the end of July 2021, Volkswagen’s supervisory board approved an agreement with the investment firm Attestor Limited and Pon Europe B.V. for the submission of a joint public takeover offer for the shares of Europcar Mobility Group S.A., Paris, France, through a consortium company. If the offer is accepted, the consortium – according to current information – would assume joint control of Europcar. The consortium submitted its takeover offer to the French regulator in September 2021. Following a successful review of the offer documents, the Europcar shareholders will have the opportunity to tender their shares.

Business development

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

General economic development

The global spread of the SARS-CoV-2 virus and the associated restrictions continued to varying degrees in the first nine months of 2021. The progress made by many countries in administering vaccines to their populations had a positive effect, while the emergence of new variants of the virus led to a renewed rise in infections at a national level. Compared with the prior-year period, the global economy recorded positive growth. In both the advanced economies and the emerging markets, the average rate at which gross domestic product expanded was far higher than the negative growth seen in the same period of 2020. At a national level, performance during the reporting period was dependent among other things on the extent to which the negative impacts of the Covid-19 pandemic were materializing and the intensity with which measures were taken to contain the spread.

The governments and central banks of numerous countries around the world continued to maintain their expansive fiscal and monetary policy measures. Interest rates remained relatively low. On average, prices for energy and other commodities rose significantly compared with the prior-year period and shortages of intermediates and commodities grew. Global trade in goods increased in the reporting period.

Trends in the markets for passenger cars and light commercial vehicles

Between January and September 2021, global demand for passenger cars rose significantly on the whole compared with the weak level recorded in the prior-year period (up 13.1%). However, the growth was uneven owing to the effects of the Covid-19 pandemic, which varied strongly from region to region both in the first nine months of 2020 and in 2021. In addition, the semiconductor shortage and the resulting limited vehicle availability had an increasingly negative impact over the course of the year. The overall markets of the South America, Africa and Middle East regions recorded above-average growth. Increases in Central and Eastern Europe, North America and Asia-Pacific were roughly in line with the global average, while growth in Western Europe was lower.

Global demand for light commercial vehicles between January and September 2021 was distinctly higher than the prior-year level.

Trends in the markets for commercial vehicles

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

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes experienced strong growth in the reporting period compared with the prior year. In comparison with the prior year, which had been adversely affected by the Covid-19 pandemic, a recovery of the truck markets could be observed worldwide.

In the first nine months of 2021, there was distinct growth in demand overall in the bus markets that are relevant for the Volkswagen Group compared with the same period of the prior year.

Trends in the markets for financial services

Demand for automotive financial services was buoyant in the first three quarters of 2021 due, among other things, to the persistently low key interest rates in the main currency areas. Nevertheless, the Covid-19 pandemic and the limited vehicle availability due to the semiconductor shortage put pressure on the demand for financial services in almost all regions.

Volkswagen Group deliveries

The Volkswagen Group delivered 7.0 million vehicles to customers worldwide from January to September 2021. This was 6.9% or 0.4 million units more than in the same period of the prior year, when the Covid-19 pandemic and the measures taken worldwide to contain it had a material impact on demand. Sales figures for both the passenger cars business area and the commercial vehicles business area exceeded the prior-year levels.

In terms of the trend in deliveries to customers, there were some appreciable differences across individual countries and regions in the reporting period, depending on the latest infection rates, the related restrictions and the scale of disruption caused by the pandemic in the prior-year period. Furthermore, particularly from the third quarter of 2021 onwards, supply shortages for semiconductors and the resulting limited availability of group models meant that demand could not be adequately met in some regions. All Volkswagen Group brands except ŠKODA and Bugatti exceeded their prior-year figures. Volkswagen registered higher demand year on year in nearly all regions.

The Volkswagen Group's sales figures in particular responded positively to its e-mobility campaign; in the first nine months of 2021, it delivered 293 thousand fully electric vehicles to customers worldwide. This was 170 thousand more units than in the same period of the prior year. The Volkswagen Group’s plug-in hybrid models were also very popular with its customers, with 246 thousand (106 thousand) units being sold. As a result, electric vehicle deliveries more than doubled year on year, rising to 7.8% (3.5%) of the Volkswagen Group’s total deliveries.

In an overall global market exhibiting considerable growth, it achieved a passenger car market share of 12.1% (13.0%).

From January to September 2021, the Volkswagen Group delivered 53.1% more commercial vehicles to customers worldwide than in the same period of the prior year, when demand was affected by a slump in core markets that was further intensified by the uncertainty generated by the Covid-19 pandemic. The Volkswagen Group delivered a total of 195 thousand commercial vehicles to customers in the first nine months of this year.

Volkswagen Group deliveries from 1 January to 30 September[1]

	2021	2020	Change %
Regions			
Europe/Other markets	3,075,515	2,768,180	11.1
North America	703,608	548,986	28.2
South America	392,019	334,659	17.1
Asia-Pacific	2,780,347	2,852,814	−2.5
Worldwide	**6,951,489**	**6,504,639**	**6.9**
by brands			
Volkswagen passenger cars	3,794,770	3,674,278	3.3
Audi	1,347,637	1,187,190	13.5
ŠKODA	700,735	721,884	−2.9
SEAT	391,298	316,904	23.5
Bentley	10,934	7,496	45.9
Lamborghini	6,902	5,631	22.6
Porsche	217,198	191,547	13.4
Bugatti	58	58	0.0
Volkswagen commercial vehicles	286,533	271,987	5.3
Passenger cars and light commercial vehicles total	**6,756,065**	**6,376,975**	**5.9**
Scania	67,235	47,735	40.9
MAN	114,115	79,929	42.8
Navistar	14,074		
Commercial vehicles total	**195,424**	**127,664**	**53.1**

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

Sales, production and inventories at the Volkswagen Group

The Volkswagen Group's unit sales to the dealer organization[1] increased by 2.5% year on year in the first nine months of 2021 to 6.5 million vehicles (including the Chinese joint ventures). Navistar has been included in these figures since 1 July 2021. At 5.7 million vehicles, unit sales outside Germany rose by 3.1% compared with the period from January to September 2020. During the reporting period, demand in markets around the world recovered from the declines in sales in the prior-year period precipitated by the Covid-19 pandemic. However, the limited vehicle availability due to the semiconductor shortage had a detrimental impact.

In the reporting period the Volkswagen Group produced 6.1 million vehicles (including the Chinese joint ventures), 0.1% less than in the same period of the prior year. This had been marked by the impact of national measures to contain the pandemic, which had led to the disruption of supply chains with production subsequently being halted in the Volkswagen Group. Shortages in supply, particularly for semiconductors, continued to lead to production restrictions in the first nine months of 2021. Navistar has been included in the group figures since 1 July 2021.

Global inventories of new vehicles at group companies and in the dealer organization were lower on 30 September 2021 than at year-end 2020, and also below the corresponding prior-year figure.

Financial services of the Volkswagen Group

The financial services division's products and services were popular in the period from January to September 2021. However, demand was affected to varying degrees by the Covid-19 pandemic. The limited vehicle availability due to the semiconductor shortage also had a negative impact. The number of new financing, leasing, service and insurance contracts signed worldwide increased by 7.0% to 6.7 million. The ratio of leased and financed vehicles to group deliveries (penetration rate) in the financial services division's markets amounted to 36.1% (36.2%) in the reporting period. The total number of contracts stood at 24.7 million (24.1 million) at the end of September 2021.

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

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

In the following explanations, the significant results of operations as well as the financial position and net assets of the Porsche SE Group are presented for the first nine months of the fiscal year 2021 and as of 30 September 2021. While the prior-year figures for the results of operations relate to the period from 1 January to 30 September 2020, the financial position and net assets use figures as of 31 December 2020 as comparative figures.

The Porsche SE Group previously distinguished between two segments. The first segment, “PSE”, primarily included Porsche SE holding operations including the investment in Volkswagen AG and the non-controlling interests in technology companies. The second segment, “Intelligent Transport Systems” (“ITS”), comprised the development of smart software solutions for transport logistics, traffic planning and traffic management and exclusively consisted of the PTV Group. Due to the sale of shares in PTV AG to Bridgepoint (see the section “Significant events and developments at the Porsche SE Group”), as of 30 September 2021 Porsche SE classifies the ITS segment as a discontinued operation as defined by IFRS 5. As a result, the income and expenses previously allocated to the ITS segment have been presented in separate line items (“from discontinued operations”) in the income statement and the statement of comprehensive income for both the reporting and the comparative period; the same has been done for the cash flows previously allocated to the ITS segment in the statement of cash flows. Furthermore, all assets and liabilities previously allocated to the ITS segment have been transferred to the balance sheet items “assets classified as held for sale” or “liabilities associated with assets classified as held for sale” as of 30 September 2021.

Results of operations of the Porsche SE Group

The Porsche SE Group’s result after tax came to €3,299 million (€437 million[1]) in the first nine months of the fiscal year 2021. Of this, €3,303 million (€449 million[1]) related to continuing operations and minus €5 million (minus €12 million) to discontinued operations.

The result after tax from continuing operations was significantly influenced by the result from the investment in Volkswagen accounted for at equity of €3,366 million (€505 million[1]). This contains profit contributions from ongoing at equity accounting before purchase price allocations of €3,411 million (€431 million) as well as subsequent effects from purchase price allocations of minus €45 million (minus €52 million). In the prior year, the result from equity accounting also included income from the acquisition of further ordinary shares in Volkswagen of €127 million[1]. The increase in the result from investments accounted for at equity is attributable to the positive development in the result at the level of the Volkswagen Group following the negative

[1] The prior-year figures were adjusted due to a €0.3 million change in a purchase price allocation within the last fiscal year.

effects of the Covid-19 pandemic in the prior year (see the section “Results of operations of the Volkswagen Group” below).

The financial result of minus €24 million (minus €3 million) primarily contains effects from the measurement of financial instruments at fair value and expenses from expected tax interest payments for prior years.

In the reporting period, the result after tax from discontinued operations contains revenue of €81 million (€75 million), other income of €5 million (€3 million), expenses of €91 million (€90 million), finance costs of €1 million (€1 million) and tax income of €1 million (€1 million).

Other comprehensive income of €2,130 million (minus €932 million) mainly contains effects resulting from the investment in Volkswagen AG accounted for at equity that largely relate to actuarial gains from the remeasurement of pension provisions of €1,280 million (minus €457 million) and to currency translation of €666 million (minus €894 million).

Financial position of the Porsche SE Group

Cash flow from operating activities amounted to €736 million (€25 million) in the reporting period. The cash inflow for the reporting period primarily contains the dividends from the investment in Volkswagen AG of €756 million. Cash inflow in the prior year largely resulted from income tax refunds and any interest accrued thereon.

There was a cash inflow from investing activities of €7 million (€70 million) in the first nine months of the fiscal year 2021. This is mainly attributable to cash received of €51 million from the sale of some shares in an investment (AEVA) until September 2021 and from sales of other securities of €33 million (€99 million). This was counterbalanced by cash paid in connection with the acquisition of investments and participation in subsequent financing rounds at investments totaling €22 million (€2 million) as well as the investment of time deposits of €53 million (cash received from time deposits of €56 million). The comparative figure for the prior-year period also contained cash paid of €81 million for the acquisition of further ordinary shares in Volkswagen AG.

There was a cash outflow from financing activities totaling €679 million (€3 million) in the first three quarters of 2021, largely due to dividend payments made to the shareholders of Porsche SE. In the comparative period, dividends had not yet been paid out to the shareholders.

Cash and cash equivalents increased to €280 million (€259 million) compared to 31 December 2020 taking into account the cash and cash equivalents from discontinued operations deducted as of 30 September 2021.

Net liquidity of the Porsche SE Group, i.e., cash and cash equivalents, time deposits and securities less financial liabilities, increased to €639 million (€563 million) compared to 31 December 2020.

Net assets of the Porsche SE Group

Compared to 31 December 2020, the Porsche SE Group's total assets increased by €4.7 billion to €41.0 billion as of 30 September 2021.

The Porsche SE Group's non-current assets of €40.0 billion (€35.6 billion) primarily relate to the investments accounted for at equity. These include in particular the carrying amount of the investment in Volkswagen AG accounted for at equity, which increased by €4.7 billion to €40.0 billion. Of the increase in the carrying amount, €3,411 million is attributable to the result from ongoing equity accounting, minus €45 million to effects from the subsequent measurement of the hidden reserves and liabilities identified and €2,159 million to expenses and income recognized in other comprehensive income resulting primarily from positive effects from the measurement of pensions as well as from currency translation at the level of the Volkswagen Group. By contrast, dividends received of minus €756 million as well as adjustments to equity not recognized through total comprehensive income at the level of the Volkswagen Group of minus €64 million reduced the carrying amount accounted for at equity.

The decrease in non-current other financial assets to €42 million (€88 million) is largely attributable to the sale of some shares in an investment (AEVA) until September 2021.

Current assets of €974 million (€637 million) mainly consist of assets classified as held for sale, cash and cash equivalents, time deposits and securities.

The reclassification of assets previously allocated to the ITS segment to the item "assets classified as held for sale" relates primarily to intangible assets of €217 million, property, plant and equipment of €32 million, trade receivables of €13 million, other current assets of €12 million and cash and cash equivalents of €44 million.

The equity of the Porsche SE Group increased to a total of €40.6 billion (€35.9 billion) due to the positive total comprehensive income as of 30 September 2021. The equity ratio of 99.2% remained constant compared to the end of the fiscal year 2020.

The reclassification of liabilities previously allocated to the ITS segment to the item "liabilities associated with assets classified as held for sale" relates primarily to non-current financial liabilities of €21 million, current financial liabilities of €14 million, other current liabilities of €47 million and deferred tax liabilities of €19 million.

Results of operations of the Volkswagen Group

The following statements relate to the original profit/loss figures of the Volkswagen Group in the first three quarters of the fiscal year 2021. It should be noted that the group result of Porsche SE only reflects its capital share in the result of the Volkswagen Group in the course of at equity accounting. Furthermore, effects from at equity accounting in the consolidated financial statements of Porsche SE, particularly relating to the subsequent measurement of the hidden reserves and liabilities identified in the course of the purchase price allocations, are not taken into consideration in the explanations below.

Against the backdrop of a recovery in the global economy despite the continuing adverse effects of the Covid-19 pandemic, the Volkswagen Group generated revenue of €186.6 billion in the first nine months of 2021, a rise of 20.0% compared with the prior year. The increase was mainly the result of higher vehicle sales, positive mix effects and improved price positioning. Changes in exchange rates had a negative impact. The Volkswagen Group made 82.7% (80.7%) of its revenue abroad. The gross result (revenue less cost of sales) rose to €33.8 billion (€23.3 billion). The gross margin was 18.1% (15.0%).

In the period from January to September 2021, the Volkswagen Group's operating result before special items amounted to €14.2 billion, €11.8 billion up on the prior-year period. The operating return on sales before special items climbed to 7.6% (1.5%). This movement was driven by improvements in the volume, mix and price positioning and by a positive contribution in the amount of €1.8 billion (minus €0.6 billion) from the measurement of certain derivatives to which hedge accounting is not applied, as well as by the good business performance of the financial services division. One-off expenses for restructuring measures in the commercial vehicles business area reduced earnings by €0.7 billion. They primarily include expenses from the sale of the commercial vehicle plant in Steyr, which was completed effective 31 August 2021.

Special items in connection with the diesel issue reduced the operating result by minus €0.2 billion (minus €0.7 billion). Overall, a positive operating result of €14.0 billion (€1.7 billion) was generated in the reporting period. The operating return on sales was at 7.5% (1.1%).

The financial result decreased by €0.3 billion year on year to €0.3 billion. The other financial result included negative effects of forward purchase agreements for new shares in QuantumScape.

Moreover, the share of the result of equity-accounted investments was down on the prior-year period. This is primarily attributable to the lower profit generated by the Chinese joint ventures, which is likewise a reflection of the supply shortage for semiconductors and the resulting limited vehicle supply. In the prior year, changes in share and unit prices had weighed on net income from securities and funds as a result of the Covid-19 pandemic.

The Volkswagen Group's result before tax increased by €12.0 billion to €14.2 billion in the reporting period. The result after tax increased by €9.6 billion year on year to €11.4 billion.

Opportunities and risks of future development

Opportunities and risks of the Porsche SE Group

Through the partnership entered into with Bridgepoint in October 2021 to jointly advance the development of PTV AG, Porsche SE will hold 40% in the joint venture in the future. On completion of the transaction, the risks associated with the investment will be reduced in light of Porsche SE's lower economic interest.

There were no changes regarding the other risk areas and their risk assessments presented in the report on opportunities and risks at the Porsche SE Group in the combined group management report for the fiscal year 2020. For the current status of the legal proceedings of Porsche SE and for current developments, reference is made to the section “Significant events and developments at the Porsche SE Group” in this group quarterly statement.

Opportunities and risks of the Volkswagen Group

The following is largely based on extracts from the report on expected developments, risks and opportunities in the interim report January to September 2021 of Volkswagen AG.

Volkswagen is of the opinion that the risk of shortages and disruptions in the supply of semiconductor components has intensified across the entire industry. Their adverse impact has been seen especially since the second half of the year, prompting Volkswagen to lower its forecast for deliveries to customers.

Volkswagen has reduced the revenue forecast for the Volkswagen Group and the passenger cars business area. In terms of the operating result of the Volkswagen Group, however, Volkswagen continues to anticipate an operating return on sales in the range of 6.0% to 7.5% for the group and in the range of 6.0% to 8.0% for the passenger cars business area in 2021, in line with the forecast that was raised at the half-year mark. From Volkswagen's perspective, this applies to the operating result both before and including special items.

In the commercial vehicles business area, which has included Navistar since 1 July 2021, Volkswagen has adjusted the forecast for revenue and the operating result to reflect firstly its positive business performance and secondly the restructuring measures for the reorganization of MAN Truck & Bus as well as the effects of the purchase price allocation resulting from the acquisition of Navistar.

Moreover, in view of the noticeable rise in revenue, Volkswagen is raising its forecast for the operating result in the financial services division.

Furthermore, the status of the legal risks at the level of the Volkswagen Group was updated in the interim report of the Volkswagen Group. Beyond this, there were no significant changes in the reporting period of the Volkswagen interim report compared to the disclosures in the section “Opportunities and risks of the Volkswagen Group” of the combined management report in the annual report of Porsche SE for the fiscal year 2020.

Outlook

Anticipated development of the Volkswagen Group

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

Volkswagen's planning is based on the assumption that global economic output will recover overall in 2021, provided a lasting containment of the Covid-19 pandemic is achieved.

The Volkswagen Group anticipates that deliveries to customers will be in line with the prior year in 2021 amid market conditions that continue to be challenging. This prediction assumes successful containment of the Covid-19 pandemic and takes into account the deterioration in the supply situation as a result of the semiconductor shortage.

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

Volkswagen expects the revenue of the Volkswagen Group and passenger cars business area in 2021 to be considerably higher than the prior-year figure. In terms of operating result for the group before and after special items, it expects an operating return on sales in the range of 6.0% to 7.5% for the group and in the range of 6.0% to 8.0% for the passenger cars business area in 2021. For the commercial vehicles business area, Volkswagen anticipates a very sharp rise in revenue – including the restructuring measures for the reorganization of MAN Truck & Bus as well as the effects of the purchase price allocation resulting from the acquisition of Navistar – to result in an operating return on sales of around 1.5%. For the financial services division, Volkswagen forecasts that revenue will be noticeably higher than the prior-year figure and that the operating result will be very sharply up on the prior year.

Anticipated development of the Porsche SE Group

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

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

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

The following earnings forecast is based on the current structure of the Porsche SE Group. With the exception of the sale of shares in PTV (see the section "Significant events and developments at the Porsche SE Group"), effects from future investments and divestitures are not taken into account. The forecast takes into account the results of the first nine months of the fiscal year 2021 as well as the Volkswagen Group's expectations regarding its future development.

On 29 July 2021, Porsche SE adjusted its forecast for the group result after tax for the fiscal year 2021. Since then, Porsche SE's expectation of a group result after tax of between €3.4 billion and €4.9 billion has remained unchanged.

Uncertainties exist with regard to the Covid-19 pandemic, operational risks, e.g. the shortage of semiconductors, as well as potential additional special items in connection with the diesel issue, all leading to ongoing severe constraints in the reliability of the forecast.

As of 30 September 2021, the Porsche SE Group had net liquidity of €639 million. The Porsche SE Group continues to aim for positive net liquidity. As of 31 December 2021, this is expected to be between €0.4 billion and €0.9 billion, not taking future investments and divestitures into account, with the exception of the PTV transaction described above.

Glossary

Selected terms at a glance

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

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

Diesel issue
On 18 September 2015, the US Environmental Protection Agency (EPA) publicly announced in a notice of violation that irregularities in relation to nitrogen oxide (NOx) emissions had been discovered in emissions tests on certain Volkswagen Group vehicles with 2.0 l diesel engines in the USA. On 2 November 2015, the EPA issued a notice of violation alleging that irregularities had also been discovered in the software installed in US vehicles with type V6 3.0 l diesel engines. In this regard, numerous judicial and regulatory proceedings were subsequently initiated in various countries.

Operating result
The revenue of the Volkswagen Group, which does not include the figures for its 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.

Selected financial information

Consolidated income statement of Porsche Automobil Holding SE for the period from 1 January to 30 September 2021

€ million	Jan. - Sep. 2021	Jan. - Sep. 2020
Result from investments accounted for at equity	3,365	496[1]
Other operating income	1	3
Personnel expenses	–11	–13
Amortization and depreciation	0	–1
Other operating expenses	–29	–28
Result before financial result	**3,326**	**458[1]**
Finance costs	–4	–2
Other financial result	–20	–1
Financial result	**–24**	**–3**
Result before tax	**3,302**	**455[1]**
Income taxes	1	–6
Result after tax from continuing operations	**3,303**	**449[1]**
Result after tax from discontinued operations	–5	–12
Result after tax	**3,299**	**437[1]**

Condensed consolidated statement of comprehensive income of Porsche Automobil Holding SE for the period from 1 January to 30 September 2021

€ million	Jan. - Sep. 2021	Jan. - Sep. 2020
Result after tax	**3,299**	**437[1]**
Other comprehensive income after tax	2,130	–932
Total comprehensive income	**5,428**	**–495[1]**
from continuing operations	5,433	–483
from discontinued operations	–5	–11

1 The prior-year figures were adjusted due to a €0.3 million change in a purchase price allocation within the last fiscal year.

Consolidated balance sheet of Porsche Automobil Holding SE as of 30 September 2021

€ million	**30/9/2021**	31/12/2020
Assets		
Intangible assets	0	227
Property, plant and equipment	1	34
Investments accounted for at equity	39,964	35,259
Other financial assets	42	88
Other assets	1	2
Deferred tax assets		3
Non-current assets	**40,008**	**35,614**
Inventories		5
Trade receivables	0	18
Other financial assets	1	4
Other assets	1	8
Income tax receivables		2
Securities	110	143
Time deposits	250	197
Cash and cash equivalents	280	259
Assets classified as held for sale	332	
Current assets	**974**	**637**
	40,981	**36,250**

€ million	30/9/2021	31/12/2020
Equity and liabilities		
Subscribed capital	306	306
Capital reserves	4,884	4,884
Retained earnings	38,950	36,330
Other reserves (OCI)	–3,507	–5,576
Equity attributable to shareholders of Porsche SE	40,634	35,945
Non-controlling interests	0	1
Equity	**40,635**	**35,946**
Provisions for pensions and similar obligations	44	51
Other provisions	25	25
Financial liabilities	0	23
Other financial liabilities		0
Other liabilities		0
Deferred tax liabilities	106	100
Non-current liabilities	**176**	**200**
Provisions for pensions and similar obligations	1	1
Other provisions	36	34
Trade payables	1	5
Financial liabilities	0	14
Other financial liabilities	5	12
Other liabilities	6	37
Income tax liabilities	4	1
Liabilities associated with assets classified as held for sale	118	
Current liabilities	**171**	**105**
	40,981	**36,250**

Consolidated statement of cash flows of Porsche Automobil Holding SE for the period from 1 January to 30 September 2021

€ million	**Jan. - Sep. 2021**	Jan. - Sep. 2020
1. Operating activities		
Result after tax	3,299	437[1]
Result after tax from discontinued operations	5	12
Result from investments accounted for at equity	–3,365	–496[1]
Amortization and depreciation	0	1
Gains (-) / losses (+) from the disposal of intangible assets and property, plant and equipment	0	
Interest expense	5	2
Interest income	0	–1
Income tax expense/income	–1	6
Other non-cash expenses (+) and income (-)	20	–1
Change in other assets	–2	0
Change in provisions for pensions	0	0
Change in other provisions	6	3
Change in other liabilities	–1	3
Dividends received	756	
Interest paid	0	–2
Interest received	1	17
Income tax paid		0
Income tax received		33
Cash flow from operating activities from continuing operations	**722**	**13**
Cash flow from operating activities from discontinued operations	14	12
Cash flow from operating activities	**736**	**25**
2. Investing activities		
Cash paid for the acquisition of intangible assets and property, plant and equipment		0
Cash paid for the acquisition of shares in investments accounted for at equity		–81
Cash paid for the acquisition of other shares in entities	–22	–2
Cash received from the disposal of other shares in entities	51	
Change in investments in securities	33	99
Change in investments in time deposits	–53	56
Cash flow from investing activities from continuing operations	**8**	**72**
Cash flow from investing activities from discontinued operations	–1	–2
Cash flow from investing activities	**7**	**70**

[1] The prior-year figures were adjusted due to a €0.3 million change in a purchase price allocation within the last fiscal year.

€ million	Jan. - Sep. 2021	Jan. - Sep. 2020
3. Financing activities		
Dividends paid to shareholders of Porsche SE	–675	0
Cash paid for settlement of financial liabilities	0	0
Cash flow from financing activities from continuing operations	**–676**	**0**
Cash flow from financing activities from discontinued operations	–3	–3
Cash flow from financing activities	**–679**	**–3**
4. Cash and cash equivalents		
Cash and cash equivalents as of 1 January	259	353
Change in cash and cash equivalents (subtotal of 1 to 3)	64	92
Less cash and cash equivalents from discontinued operations	–44	
Cash and cash equivalents as of 30 September	**280**	**445**

This group quarterly statement is available in German and English.

In case of doubt the German version is binding.

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