PORSCHE SE

Group quarterly statement

1st Quarter 2023

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Business development

1st Quarter 2023

Porsche Automobil Holding SE (“Porsche SE” or the “company”), as the ultimate parent of the Porsche SE Group, is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. As of 31 March 2023, the Porsche SE Group had 41 employees (38 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 (“Porsche AG”), TRATON SE (“TRATON”), Volkswagen Financial Services AG, Volkswagen Bank GmbH as well as in numerous other companies in Germany and abroad. Porsche SE also holds a direct interest in Porsche AG. In addition to these two core investments, the Porsche SE Group holds non-controlling interests in more than ten technology companies based in North America, Europe and Israel.

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 investments in Volkswagen AG and in Porsche 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.

This group quarterly statement by Porsche SE relates to the development of business and its effects on the results of operations, financial position and net assets in the first three months of the fiscal year 2023, unless reference is made to another time period.

All figures and percentages are rounded according to customary business practice, so minor discrepancies may arise from the addition of these amounts. Amounts smaller than €0.5 million are stated at zero. 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 first quarter of the fiscal year 2023, unless reference is made in this section to another time period.

Bridge loan largely refinanced

In March 2023, Porsche SE successfully placed a Schuldschein loan of around €2.7 billion. The promissory note comprises eight tranches with terms of three, five, seven and ten years, each of which are subject to fixed or variable interest rates. Of the total volume, €1.0 billion is subject to a term of three years, €1.4 billion to a term of five years, €0.2 billion to a term of seven years and €0.2 billion to a term of ten years. Around 120 institutional investors such as banks, pension funds and insurance companies participated in the Schuldschein loan.

On 20 April 2023, Porsche SE also made its successful debut on the bond market. As part of a debt issuance programme set up for this purpose, a bond was issued with a total volume of €750 million, an annual coupon of 4.5% and a term until September 2028.

The funds from issuing the Schuldschein loan and the bond are used by Porsche SE to refinance a significant part of the initial bridge loan of €3.9 billion raised for the acquisition of ordinary shares in Porsche AG.

A total amount of €2.85 billion of the bridge loan was repaid in the first quarter of 2023, leaving a nominal volume of €1.05 billion outstanding as of 31 March 2023. The remaining bridge loan is to be refinanced in full in the second quarter of the fiscal year 2023 largely from funds raised by issuing the bond and the dividend of Volkswagen AG that is expected to be paid out on 15 May 2023.

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 decreased to €4.2 billion in the first quarter of 2023 compared to €6.6 billion in the prior-year period. Parts supply shortages and disruptions in logistics chains continued to have an adverse effect in the reporting period (see also sections “Business development” and “Results of operations of the Volkswagen Group”). The fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedges) resulted in minus €1.3 billion being charged to the operating result, compared with a y €3.2 billion increase in the result in the comparative prior-year period. From January to March 2023, there were no significant special items in connection with the diesel issue affecting the operating result. In the prior year, negative special items in connection with the diesel issue of €0.1 billion had been recognized.

As of 31 March 2023, there were no indicators on the basis of the earnings forecasts of an impairment of the investment in Volkswagen AG accounted for at equity. However, an impairment of the investment cannot be ruled out, particularly in the event of any sustained decline in earnings. This may also have consequences for the dividend policy of Volkswagen AG and therefore for the cash inflows at the level of Porsche SE. With regard to risks that could lead to such negative effects, please refer to the explanations in the section “Opportunities and risks of future development” as well as the explanations in the combined group management report for the fiscal year 2022.

In particular in light of the successful placement of the Schuldschein loan of around €2.7 billion in March 2023, which significantly exceeded the volume predictable on the basis of similar transactions in the past, circumstances arose in the first quarter of the fiscal year 2023 that made a sale of the 2.7 million preference shares of Volkswagen AG held by Porsche SE by June 2023 not seem highly probable anymore. In the first quarter of the fiscal year 2023, the preference shares were therefore no longer classified as assets held for sale, resulting in a retrospective application of the equity method. The capital share, which the at equity accounting for the investment in Volkswagen AG has since been based on, amounts to around 31.9% compared to the approximately 31.4% previously. The retrospective application of the equity method in the first quarter of the fiscal year 2023 required the prior-year comparative figures to be adjusted (see also section “Explanatory notes on results of operations, financial position and net assets”).

On 10 May 2023, the annual general meeting of Volkswagen AG resolved to distribute a dividend for the fiscal year 2022 of €8.70 per ordinary share and €8.76 per preference share. The shares of Volkswagen AG held by Porsche SE thus entitle the latter to a dividend of €1.4 billion, which will be recognized and collected in the second quarter of 2023.

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

Due to its share in capital of Porsche AG, Porsche SE is also influenced by the developments at the level of the Porsche AG Group. The group result after tax and non-controlling interests of the Porsche AG Group increased to €1.4 billion in the first quarter of 2023 compared to €1.0 billion in the prior-year period.

As of 31 March 2023, there were no indicators on the basis of the earnings forecasts and share performance of an impairment of the investment in Porsche AG accounted for at equity. However, an impairment of the investment cannot be ruled out, particularly in the event of any sustained decline in earnings. This may also have consequences for the dividend policy of Porsche AG and therefore for the cash inflows at the level of Porsche SE. With regard to risks that could lead to such negative effects, please refer to the explanations in the section "Opportunities and risks of future development" as well as the explanations in the combined group management report for the fiscal year 2022.

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 was pending with the Higher Regional Court of Celle. Subject of those actions were 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 were 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). By decision of 30 September 2022, all of the establishment objectives requested by the plaintiffs were dismissed or declared groundless by the Higher Regional Court of Celle. The Higher Regional Court of Celle substantiates its decision on the opinion that Porsche SE cannot be deemed liable under any legal aspect and that the opposed pleading of the plaintiffs is inconclusive. With this decision, Porsche SE considers its legal position justified that the claims asserted in the suspended initial proceedings are without merit. The decision of the Higher Regional Court of Celle is not yet final. The plaintiffs filed an appeal against the decision with the Federal Court of Justice.

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 an action currently suspended with regard to the model case proceedings now before the Federal Court of Justice with alleged damages of about €1.8 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 and sees itself justified in this legal position by the decision of the Higher Regional Court of Celle of 30 September 2022.

Since 2012, Porsche SE and two companies of an investment fund have been in dispute over the existence of alleged claims in the amount of about US$195 million and have filed lawsuits in Germany and England respectively. On 6 March 2013, the English proceedings were suspended at the request of both parties until a final decision had been reached in the proceedings commenced in the Regional Court of Stuttgart concerning the question of which court is the court first seized. A final decision on this issue continues to be outstanding. Currently, the proceedings are pending before the Higher Regional Court of Stuttgart. On 21 December 2021, the Higher Regional Court of Stuttgart decided that witnesses shall be interrogated in the United Kingdom by way of a request for mutual legal assistance. On 19 January 2023, 14 February 2023 and 23 March 2023, one defendant requested to recuse two judges of the Higher Regional Court of Stuttgart for fear of bias. On 3 April 2023, the court dismissed all three requests, holding that there is no basis for the alleged fear of bias. 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 €929 million (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 208 actions are currently pending at first instance. The actions pending at first instance concern payment of damages, if quantified, in the total amount of approximately €797 million (plus interest) and in part establishment of liability for damages. After various claims have been referred to the competent Regional Court of Stuttgart, eleven claims for damages against Porsche SE, with a claim volume (according to the current assessment of the partially unclear head of claims) of approximately €3.1 million (plus interest), are now pending before the Regional Court of Braunschweig. A large number of the proceedings, with a total amount of approximately €14.2 million (plus interest), are currently suspended, whereby the majority of the suspended proceedings are suspended with reference to a KapMuG proceeding pending before the Higher Regional Court of Stuttgart. 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 a further approximately €129 million (plus interest) in damages was claimed, are pending before the Higher Regional Court of Stuttgart on appeal. In one of the appeal proceedings in which approximately €5.7 million (plus interest) in damages was claimed, the Regional Court of Stuttgart had granted the action in the amount of approximately €3.2 million (plus interest) and otherwise dismissed the action on 24 October 2018. Porsche SE and the plaintiff filed appeals. In the further proceeding, which is partly on appeal, plaintiffs object to the fact that the Regional Court of Stuttgart dismissed their actions as inadmissible on 26 August 2021. The amount in dispute is approximately €123 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, was pending before the Higher Regional Court of Stuttgart. On 22 October 2020, the Higher Regional Court of Stuttgart appointed a model case plaintiff. Several hearings have taken place before the Higher Regional Court of Stuttgart. The Higher Regional Court of Stuttgart expanded the model case with further establishment objectives. During the hearing of 7 December 2022, the Higher Regional Court of Stuttgart interrogated two former members of the board of management of Porsche SE as witnesses. Both witnesses stated individually to have heard of the diesel issue for the first time in September 2015 through press reporting. In its model case ruling of 29 March 2023, the Higher Regional Court of Stuttgart found that, in principle, an ad hoc disclosure obligation of Porsche SE can also exist with respect to circumstances at Volkswagen AG. A requirement for any ad hoc disclosure obligation is that a member of the board of management of Porsche SE must either be aware of the alleged insider information or the board of management of Porsche SE must have breached an obligation to ensure that insider information can reach the board of management. If there is a specific reason for doing so, the board of management has a duty to make specific inquiries. With regard to any knowledge of the board of management of Porsche SE or breach of duty, the plaintiffs have the burden of proof. The Higher Regional Court of Stuttgart also ruled that any knowledge of confidential circumstances at Volkswagen AG of board members of Volkswagen AG who are also members of the board of management of Porsche SE cannot be attributed to Porsche SE. In addition, the Higher Regional Court of Stuttgart ruled that any knowledge of circumstances at Volkswagen AG on the level below the board of management of Volkswagen AG cannot be attributed to Porsche SE. Finally, the Higher Regional Court of Stuttgart ruled, that the members of the board of management of Porsche SE at the time, Dr. Wendelin Wiedeking and Holger P. Härter, had no knowledge of the diesel issue and such missing knowledge was also not based on gross negligence on their side. The establishment objectives sought by the plaintiffs were therefore overwhelmingly not made by the Higher Regional Court of Stuttgart. On the basis of the establishment objectives made in the model case ruling and the current status of the matter in dispute in the initial proceedings, all investor claims against Porsche SE in the suspended initial proceedings would, as a result, have to be dismissed. The model case ruling is not yet final. The model case plaintiff, several plaintiffs and Porsche SE have filed an appeal on points of law against the model case ruling.

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 hearings have taken place before the Higher Regional Court of Braunschweig. The next hearing is set to take place on 23 May 2023. The Higher Regional Court of Braunschweig intends to discuss with the parties the planned program for taking evidence in this hearing. Apart from this the Higher Regional Court of Braunschweig invited the parties to consider entering into discussions aimed at a potential settlement. As Porsche SE is not affected by the model case establishment objectives, there is no reason for Porsche SE to contribute to a settlement solution. The Higher Regional Court of Braunschweig had previously scheduled numerous further hearings for 2023.

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

In connection with the diesel issue, in April 2021, two plaintiffs filed a derivative action against Porsche SE, current and former members of the management and supervisory boards of Volkswagen AG, current and former executives of Volkswagen AG and its subsidiaries, four Volkswagen AG subsidiaries and others in the Supreme Court of the State of New York, County of New York. The plaintiffs claim to be shareholders of

Volkswagen AG and allege claims of Volkswagen AG on its behalf. The action is based, inter alia, on an alleged violation of duties vis-à-vis Volkswagen AG pursuant to the AktG [“Aktiengesetz”: German Stock Corporation Act] and the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK). The plaintiffs request, inter alia, a declaration that the defendants have breached their respective duties vis-à-vis Volkswagen AG, and an award to Volkswagen AG as compensation for the alleged damages it sustained as a result of the alleged violation of duties, plus interest. In September 2021, the parties filed a stipulation, which is subject to court approval, accepting service on behalf of certain defendants including Porsche SE, staying all discovery and setting a motion to dismiss briefing schedule.

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

So-called status proceedings were initiated against Porsche SE before the Regional Court of Stuttgart. With applications dated 11 July 2021 and 18 July 2021, the applicant has asked the court to find that Porsche SE’s supervisory board is to be composed of half shareholder representatives and half employee representatives. In a ruling dated 24 January 2023, the Regional Court of Stuttgart dismissed these applications as inadmissible and without merit and determined that Porsche SE’s supervisory board is composed in accordance with the law. The applicant has filed an appeal against this ruling which has not yet been decided.

Significant events and developments at the Volkswagen Group

Russia-Ukraine conflict / Covid-19 pandemic / Parts supply

The start of the Russia-Ukraine conflict in February 2022 led not only to a humanitarian crisis but also brought market upheaval around the world. There have been substantial price rises, particularly on the energy and commodity markets, and significant increases in interest and inflation rates have been observed internationally. There were some signs of normalization in the markets in the first quarter of the fiscal year 2023. Against the backdrop of the Russia-Ukraine conflict and the resulting consequences, Volkswagen had decided to suspend vehicle production in Russia for the time being. Vehicle exports to Russia have also been halted. In addition, the respective sanction requirements must also be complied with in relation to parts supplies and the provision of technical information. There was again no easing in the Russia-Ukraine conflict in the first quarter of the fiscal year 2023. For this reason, the discontinuation of business activities in Russia continued to take concrete shape in the Volkswagen Group. In this context, further sales negotiations with a number of investors continued in the first quarter of 2023 (see also section “Equity investments held for sale” in this section). No additional material risk provisions were recognized at the level of Volkswagen Group in connection with the Russia-Ukraine conflict in the first three months of the fiscal year 2023.

Although the situation in connection with the SARS-CoV-2 virus eased, the parts supply shortages continued at the beginning of the current fiscal year.

Partnerships and investments

In the first quarter, the Volkswagen Group took stock for the first time of the creation of its worldwide fast-charging network. By 2025, the Volkswagen Group’s aim is to install a global network of a total of 45,000 high-power chargers (HPCs) with a power output of up to 350 kW. By the end of 2022, the Volkswagen Group together with its joint ventures (IONITY, Ewiva and CAMS) and strategic partners (BP and Iberdrola in Europe and China, and Electrify America in North America) had already connected some 15,000 fast-charging points to the network. Around 10,000 HPCs in Europe and up to 25,000 HPCs worldwide are to be available by the end of 2023.

Capacity expansions

In March 2023, Volkswagen took the next step in building its global battery business. In the Spanish region of Valencia, the Volkswagen Group laid the cornerstone for its second battery cell factory, where the beginning of production is envisaged for 2026. Initially, it will produce sustainable battery cells with an annual capacity of 40 GWh. There is an option to expand capacity to 60 GWh. The aim is to completely cover the cell factory's energy supply using renewable power from solar and wind energy, including a 250-hectare solar park in the immediate vicinity of the plant. In addition, the raw materials cycle will be closed directly at the cell factory site.

In March 2023, the Volkswagen Group also announced that it was stepping up its activities in North America. The Volkswagen Group's first gigafactory outside Europe is to be built in St. Thomas, Ontario, where the beginning of production is envisaged for 2027. In future, the factory is to supply the Volkswagen Group brands' all-electric vehicles in the region with state-of-the-art sustainable battery cells. It also forms part of the memorandum of understanding signed last August with the Canadian government, which is focused on battery value creation and securing the supply of raw materials to promote e-mobility in Canada.

To contribute to the Volkswagen Group's growth strategy in North America, the Volkswagen Group decided in March 2023 to build its first production site for Scout Motors Inc. in Columbia, South Carolina. The plant, which has a planned annual capacity of over 200,000 vehicles, will produce the SCOUT brand's robust SUV and pickup on a newly developed all-electric platform. The plan is for construction to begin in mid-2023, meaning that the first vehicles would roll off the production line at the end of 2026.

Reorganization of Volkswagen Financial Services

A reorganization of Volkswagen Financial Services by mid-2024 is planned in order to lay the foundations for a successful implementation of the Volkswagen Group's mobility services strategy. Volkswagen Financial Services will therefore undergo a change in corporate structure. The majority of the German and European companies of Volkswagen Financial Services AG and Volkswagen Bank GmbH will be consolidated in a new financial holding company supervised by the European Central Bank. Volkswagen Financial Services AG will be renamed in the process and will act as a holding company for non-European companies. Both holding companies will continue to be an integral part of the Volkswagen Group. Pooling activities in a single European financial services provider will enable the refinancing instruments of Volkswagen Bank GmbH to also be used for the further expansion of the fast-growing leasing business in Germany and Europe and to leverage potential synergy effects in the existing financing and leasing companies in Europe.

Equity investments held for sale

In December 2022, Porsche AG entered into an agreement with an independent, non-group investor for the sale of two Russian sales companies in the passenger cars and light commercial vehicles segment, OOO Porsche Russland, Moscow, Russia, and OOO Porsche Center Moscow, Moscow, Russia, as well as one company assigned to the financial services segment, OOO Porsche Financial Services Russland, Moscow, Russia. Moreover, a repurchase option was agreed with this investor, which can be exercised at the earliest five years and at the latest ten years after the sale. The legal transfer and the determination of the final purchase price are still subject to approval of the transaction by the Russian authorities.

It was resolved by Volkswagen in the fourth quarter of 2022 to sell the following fully consolidated subsidiaries allocated to the financial services segment: OOO Volkswagen Bank RUS, Moscow, Russia, OOO Volkswagen Group Finanz, Moscow, Russia, and OOO Volkswagen Financial Services RUS, Moscow, Russia. The resolution by the competent governing bodies of Volkswagen was followed immediately by the initiation of a disposal plan, which is expected to be completed in the second quarter of 2023.

On 15 December 2022, the supervisory board of Volkswagen AG resolved to sell the MAN ES gas turbine business of MAN Energy Solutions SE, Augsburg, and MAN Energy Solutions Schweiz AG, Zurich, Switzerland, by way of an asset deal to CSIC Longjiang GH Gas Turbine Co. Ltd., Harbin, China, and its subsidiaries, which are still to be established under German and Swiss law. The transaction is expected to be completed within the next 12 months.

On 3 March 2023, the supervisory board of the Volkswagen Group resolved that OOO Volkswagen Group Rus, Kaluga, Russia, and its subsidiaries OOO Scania Finance, Moscow, Russia, OOO Scania Strachovanie, Moscow, Russia, and OOO Scania Leasing, Moscow, Russia, must be sold. The sales negotiations with potential investors are at an advanced stage. As of the reporting date, the legal transfer of ownership of the four companies was still subject to approval by the Russian authorities. It is currently expected that ownership will be legally transferred and the purchase price finally determined in the course of the first half of 2023.

In accordance with IFRS 5, the assets and liabilities held for sale at the level of the Volkswagen Group were recognized at the lower of their carrying amount and fair value less expected costs of disposal.

Material transactions

Scout Motors Inc.

In 2022, Scout Motors Inc., Arlington, Virginia, USA, a wholly owned subsidiary of Volkswagen Finance Luxemburg, Strassen, Luxembourg, was established within the Volkswagen Group's North America strategy. A new vehicle brand is to be created under the name of SCOUT, under which electrified all-terrain vehicles and pickups will be distributed in the USA from 2026. In order to finance the creation of the SCOUT brand, as well as vehicle development and production planning, an amount of around US$500 million is to be contributed to the company in 2023. The first payment of US$190 million was made in January 2023. The company has been included in the Volkswagen consolidated financial statements since 1 January 2023.

Argo AI

The process of winding down Argo AI, LLC, Pittsburgh, USA, was initiated in the third quarter of 2022. In this context, Volkswagen contributed US$50 million to the company in January 2023. The contribution was written down in full at the level of the Volkswagen Group.

Business development

The business development of the Porsche SE Group is largely shaped by its core investments, in particular the 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, which include the development of the Porsche AG Group.

General economic development

The Russia-Ukraine conflict led to increased uncertainty in relation to developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia, ranging from extensive trade embargoes to the partial exclusion of Russia from the global financial system. Russia itself, in its role as an energy exporter, restricted deliveries to Europe, particularly deliveries of gas. Although calm began to return to the energy and commodity markets in recent months, the still elevated raw material prices, continuing supply shortages and salary trends in the overheated labor markets, pose the threat of continued high inflation.

Following the slump in global economic output in 2020, the incipient recovery due to baseline and catch-up effects in 2021 and further normalization of economic activity despite the Russia-Ukraine conflict in 2022, both the advanced economies and the emerging markets continued to recover in the reporting period on average, albeit with diminishing momentum compared with the prior year. At the national level, developments depended on the one hand on the intensity with which central banks had to tighten monetary policy to curb the higher inflation – mainly by raising interest rates and scaling back bond-buying – and thus had a negative impact on consumer spending and investment activity. On the other hand, the extent to which national economies were affected by the consequences of the Russia-Ukraine conflict was a decisive factor. Prices for energy and many other raw materials were lower than in the prior year, and shortages of intermediate products and commodities eased somewhat. Global trade in goods increased in the reporting period.

Trends in the markets for passenger cars and light commercial vehicles

In the first quarter of 2023, the volume of the passenger car market worldwide was slightly above the comparative figure for 2022 at 17.5 million vehicles (up 3.1%). The performance of most of the large passenger car markets was positive, due in particular to the weak prior-year level. While the supply situation for intermediates slowly improved, the consequences of the Russia-Ukraine conflict and pull-forward effects generated by state subsidies expiring at the end of the prior year dampened the trend in new registrations in individual markets. Significant and strong growth was recorded in the overall markets of the Western Europe and Middle East regions respectively, while North America and South America were noticeably up on the prior-year period. In the other regions, sales fell in the first three months of 2023: whereas market volume was down significantly in Central and Eastern Europe and Africa, Asia-Pacific recorded a slight decrease.

In the first quarter of 2023, the global volume of new registrations for light commercial vehicles was noticeably higher (up 7.2%) than in the prior-year quarter.

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 strongly higher in the reporting period than in the prior year. Truck markets globally were significantly up on the prior year, driven primarily by the Chinese market, which has begun to recover following the end of the zero-Covid strategy pursued there.

In the first three months of 2023, there was a very strong rise 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 at a high level in the first quarter of 2023; however, higher interest rates put pressure on demand for financial services in almost all regions.

Volkswagen Group deliveries

Between January and March 2023, the Volkswagen Group delivered 2.0 million vehicles to customers worldwide. This was 7.5% or 142 thousand units more than in the same period of the prior year, which had suffered in particular from the limited availability of group models caused by the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages and disruptions in logistics chains continued to have an adverse effect in the reporting period. Sales of both passenger cars and commercial vehicles were up year on year.

Sales of Volkswagen Group passenger cars and light commercial vehicles worldwide in the first three months of 2023 increased by 6.9% year on year to 2.0 million units. The prior year had suffered in particular from the limited availability of group models due to the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages and disruptions in logistics chains continued to have an adverse effect in the reporting period. All Volkswagen Group brands delivered more vehicles to customers than in the same period of 2022.

The Volkswagen Group's e-mobility campaign continued to move ahead successfully: Volkswagen delivered 141 thousand all-electric vehicles to customers worldwide in the first three months of this year. This was 42 thousand units or 42.1% more than in the same period of the prior year. Their share of the Volkswagen Group's total deliveries rose to 6.9% (5.2%). A total of 56 thousand of Volkswagen's plug-in hybrid models were delivered (up 9.1%) to customers. As a result, total electric vehicle deliveries went up by 30.9% and their share of total Volkswagen Group deliveries rose year on year to 9.6% (7.9%).

In an overall global market experiencing slight growth, Volkswagen achieved a passenger car market share of 10.7% (10.3%).

Between January and March 2023, the Volkswagen Group delivered 24.8% more commercial vehicles to customers worldwide than in the same period of the prior year. Volkswagen delivered a total of 85 thousand commercial vehicles to customers in the first three months of this year.

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

	2023	2022	Change %
Regions			
Europe/Other markets	991,056	812,095	22.0
North America	216,752	177,471	22.1
South America	103,602	82,164	26.1
Asia-Pacific	729,237	826,570	–11.8
Worldwide	**2,040,647**	**1,898,300**	**7.5**
by brands			
Volkswagen passenger cars	1,021,508	1,011,857	1.0
ŠKODA	209,553	186,170	12.6
SEAT	125,218	91,407	37.0
Volkswagen commercial vehicles	97,189	81,859	18.7
Audi	415,684	385,084	7.9
Lamborghini	2,623	2,539	3.3
Bentley	3,517	3,203	9.8
Porsche	80,767	68,426	18.0
Passenger cars and light commercial vehicles total	**1,956,059**	**1,830,545**	**6.9**
Scania	22,626	16,645	35.9
MAN	27,266	19,321	41.1
Navistar	22,548	17,070	32.1
Volkswagen Truck & Bus	12,148	14,719	–17.5
Commercial vehicles total	**84,588**	**67,755**	**24.8**

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

Sales, production and inventories at the Volkswagen Group

In the first quarter of 2023, the Volkswagen Group's unit sales to the dealer organization[1] rose year on year by 6.5% to 2.1 million units (including the equity-accounted companies in China). In the prior-year period, limited vehicle availability caused by parts supply shortages that were attributable in part to the Russia-Ukraine conflict had had an adverse effect. Persistent parts supply shortages and disruptions in the global logistics chain had a negative impact in the reporting period. Unit sales outside Germany rose by 4.7% to 1.8 million vehicles. Growth was recorded in particular in the United States, the United Kingdom and Brazil, while unit sales in China declined. Unit sales in Germany increased by 19.1% year on year. Vehicles sold in Germany as a proportion of the Volkswagen Group's overall sales increased to 13.6% (12.1%).

The Volkswagen Group produced 2.3 million vehicles (including the equity-accounted companies in China) from January to March 2023, 11.2% more than in the prior-year period, which had seen production being halted due to the disruption of supply chains caused by the Russia-Ukraine conflict and the Covid-19 pandemic. Parts supply shortages also impacted on production in the reporting period. Production in Germany increased by 51.2% to 0.6 million vehicles. The proportion of the Volkswagen Group's total production accounted for by Germany increased to 24.2% (17.8%).

Global inventories of new vehicles at group companies and in the dealer organization were higher at the end of the reporting period than at year-end 2022 and above the corresponding prior-year figure. Disruptions in the logistics chain continued to have a negative impact in the reporting period.

Volkswagen Group financial services

The Volkswagen Group financial services division's products and services were popular in the first quarter of 2023. However, limited vehicle availability caused by parts supply shortages and disruptions in logistics chains weighed on demand. The number of new financing, leasing, service and insurance contracts signed worldwide rose by 5.5% to 2.2 million in the reporting period. The ratio of leased and financed vehicles to Volkswagen Group deliveries (penetration rate) in the financial services division's markets stood at 34.5% (34.2%). The total number of contracts stood at 24.0 million (24.5 million) on 31 March 2023.

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

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

In the following explanations, the significant results of operations as well as the financial position and net assets of the Porsche SE Group are presented for the first three months of the fiscal year 2023 and as of 31 March 2023. While the prior-year figures for the results of operations relate to the period from 1 January to 31 December 2022, the financial position and net assets use figures as of 31 December 2022 as comparative figures.

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

As a result of the first-time application of IFRS 17, which provides new guidance on the accounting for insurance contracts, adjustments were made to prior-year figures at the level of the Volkswagen Group. This change is primarily due to the changed approach for calculating provisions related to the insurance business. At the level of Porsche SE, there are no business transactions that fall within the scope of IFRS 17. However, as a result of applying the equity method to the investments in Volkswagen AG and Porsche AG, the first-time application of IFRS 17 at the level of the Volkswagen Group also has an indirect impact on Porsche SE: This caused the result from investments accounted for at equity for the first quarter of the fiscal year 2022 to increase by €6.0 million, while the income tax expense increased by €0.0 million. With regard to the investments accounted for at equity, there were no material balance sheet effects as of 31 December 2022.

Adjustments were also made to the balance sheet figures as of 31 December 2022 as a result of applying the equity method retrospectively for the preference shares of Volkswagen AG held by Porsche SE (see section "Significant events and developments at the Porsche SE Group"). This resulted in an elimination of assets classified as held for sale of €314 million, an increase in the carrying amount of the investment in Volkswagen AG accounted for at equity of €1,040 million, an increase in deferred tax liabilities of €4 million as well as an increase in equity of €723 million. This did not have an effect on the results of operations of the fiscal year 2022 until the third quarter.

Results of operations of the Porsche SE Group

The result after tax of the Porsche SE Group came to €1,265 million (€2,136 million) in the first quarter of the fiscal year 2023, relating entirely to continuing operations (€2,040 million). In the prior year, €96 million related to discontinued operations. In turn, of the result after tax from continuing operations, €1,268 million (€2,044 million) relates to the core investments segment and minus €3 million (minus €4 million) to the portfolio investments segment.

The result after tax in the core investments segment was significantly influenced by the result from the investment in Volkswagen accounted for at equity of €1,336 million (€2,050 million). This contains profit contributions from ongoing at equity accounting before purchase price allocations of €1,344 million (€2,065 million) as well as subsequent effects from purchase price allocations of minus €7 million (minus €15 million). The decrease in the result from investments accounted for at equity is mainly attributable to effects from the fair value measurement of derivatives to which hedge accounting is not applied included in the prior year (see section “Results of operations of the Volkswagen Group”).

The result from the investment in Porsche AG accounted for at equity, the second core investment, amounted to €24 million in the reporting period. This contains profit contributions from ongoing at equity accounting before the purchase price allocation of €176 million as well as subsequent effects from the purchase price allocation of minus €152 million.

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

The financial result of minus €70 million (minus €1 million) largely contains interest expenses from financing the acquisition of ordinary shares of Porsche AG, commitment fees and transaction costs totaling minus €73 million. This was partly offset by interest income. The financial result and income tax expenses of the core investments segment virtually match the figures of the Porsche SE Group.

The result after tax from continuing operations of the portfolio investments segment largely corresponds to its result from investments, which contains income of €1 million (€3 million) and expenses of €1 million (€4 million) from the fair value measurement of portfolio companies as well as a result from investments accounted for at equity of minus €3 million (minus €3 million).

In the reporting period, the result after tax from discontinued operations in the comparative period contains the deconsolidation gain on disposal of the share in PTV Planung Transport Verkehr GmbH, Karlsruhe (“PTV”, together with its subsidiaries the “PTV Group”).

Other comprehensive income of the Porsche SE Group of €269 million (€1,614 million) mainly contains effects resulting from the investment in Volkswagen AG accounted for at equity.

Financial position of the Porsche SE Group

The cash outflow from operating activities amounted to €32 million (€11 million) in the reporting period and was largely caused by interest paid including transaction costs in connection with the debt capital raised of €74 million. In addition, both the reporting and the comparative period mainly include cash outflows for expenses relating to holding business operations. In the reporting period, these were offset in particular by cash inflows from the termination of derivative contracts of €32 million as well as from the collection of the special dividend of Volkswagen AG of €22 million. Porsche SE's (special) dividend claim against Volkswagen AG of €3.1 billion had been offset against the remaining purchase price liability for the acquisition of ordinary shares in Porsche AG of €3.0 billion.

There was a cash inflow from investing activities of €173 million (€207 million) in the first three months of the fiscal year 2023. This resulted in particular from cash inflows from the change in investments in time deposits of €195 million (€15 million) as well as from changes in investments in securities of €20 million (in the prior year no change). These were offset in particular by cash paid for acquiring shares in portfolio investments or the participation in a subsequent round of financing at an existing portfolio investment totaling €42 million. In the comparative period, the cash inflow is primarily attributable to cash received from the sale of shares in the PTV Group of €221 million less cash and cash equivalents of the PTV Group disposed of in the course of the deconsolidation of €25 million.

Cash and cash equivalents increased to €103 million (€86 million) compared to 31 December 2022.

Net liquidity of the Porsche SE Group, i.e., cash and cash equivalents, time deposits and securities less financial liabilities, at minus €6.7 billion is on a par with the level as of 31 December 2022.

Net assets of the Porsche SE Group

Compared to 31 March 2023, the Porsche SE Group's total assets increased by €0.9 billion to €60.4 billion as of 31 December 2022.

The Porsche SE Group's non-current assets of €59.8 billion (€58.8 billion) primarily relate to the core 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 €1.1 billion to €49.3 billion. Of the increase in the carrying amount, €1,344 million is attributable to the result from ongoing at equity accounting, minus €7 million to effects from the subsequent measurement of the hidden reserves and liabilities identified and minus €247 million to expenses and income recognized in other comprehensive income. In addition, adjustments to equity not recognized through total comprehensive income at the level of the Volkswagen Group of minus €10 million reduced the carrying amount.

In addition to this, the investments accounted for at equity above all include the carrying amount of the investment in Porsche AG accounted for at equity which, compared to 31 December 2022, increased by €14 million to €10.2 billion. Of the increase in the carrying amount, €176 million is attributable to the result from ongoing at equity accounting, minus €152 million to effects from the subsequent measurement of the hidden reserves and liabilities identified and €1 million to expenses and income recognized in other comprehensive income. In addition, adjustments to equity not recognized through total comprehensive income at the level of the Porsche AG Group of minus €9 million decreased the carrying amount.

The investments accounted for at equity also include the carrying amount of the investment in European Transport Solutions S.à r.l., Luxembourg, Luxembourg, as well as the investment in INRIX Inc., Kirkland, Washington, USA, totaling €114 million (€116 million).

The non-current other financial assets of €189 million (€204 million) include shares of portfolio investments of €101 million (€59 million) as well as interest rate hedging instruments of €84 million (€142 million) measured at fair value to which hedge accounting applies in all cases.

Current assets of €545 million (€762 million) mainly consist of income tax receivables, cash and cash equivalents, time deposits and securities.

The equity of the Porsche SE Group increased to a total of €53.1 billion (€52.1 billion) due to the positive total comprehensive income as of 31 March 2023. The equity ratio of 88.0% (87.6%) increased slightly compared to the end of the fiscal year 2022.

Following the refinancing of a large part of the bridge loan with the Schuldschein loan of around €2.7 billion (see also section “Significant events and developments at the Porsche SE Group”), there was a change in the maturity profile of the financial liabilities and accordingly also in the presentation of maturities in the consolidated balance sheet. Of the total financial liabilities of €7.0 billion (€7.1 billion), €5.9 billion (€3.2 billion) is classified as non-current and €1.1 billion (€3.9 billion) as current as of 31 March 2023.

Non-current other financial liabilities relate to interest rate hedges of €9 million measured at fair value to which hedge accounting applies.

Results of operations of the Volkswagen Group

The following statements relate to the original profit/loss figures of the Volkswagen Group in the first quarter of the fiscal year 2023. It should be noted that the result of the Volkswagen Group, where it relates to the shareholders of Volkswagen AG, is only reflected in the group result of Porsche SE in the course of at equity accounting. Furthermore, effects from at equity accounting in the consolidated financial statements of Porsche SE, particularly relating to the subsequent measurement of the hidden reserves and liabilities identified in the course of the purchase price allocations, are not taken into consideration in the explanations below.

In the first quarter of 2023, the Volkswagen Group's revenue was €76.2 billion, up 21.5% on the prior-year figure. This was due particularly to a rise in vehicle sales and improved price positioning. Adverse exchange rate movements had an offsetting effect. The prior-year period had been impacted to an even greater extent by limited vehicle availability due to parts supply shortages. 81.5% (81.5%) of the Volkswagen Group's revenue originated abroad. Gross result climbed by €3.2 billion to €15.2 billion; the gross margin was 19.9% (19.1%).

The Volkswagen Group's operating result amounted to €5.7 billion (€8.3 billion) in the first three months of 2023. The operating return on sales amounted to 7.5% (13.3%). Improvements, especially in the volume and in price positioning, had a beneficial impact on the operating result, while a rise in product costs (in particular for commodities) reduced it. The fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedges) resulted in minus €1.3 billion being charged to the operating result, compared with a €3.2 billion increase in the result in the comparative prior-year period. Special items in connection with the diesel issue amounting to minus €0.1 billion had been recognized in the prior year.

The financial result improved to €0.7 billion (€0.6 billion). The result of investments accounted for at equity was down on the figure for the first quarter of 2022. The interest income included in the financial result more than compensated for the rise in interest expenses. In the other financial result, adverse exchange rate effects and other factors recorded in the reporting period were offset by positive net income from securities and funds, which had been negatively impacted in the prior-year period, especially as a result of the Russia-Ukraine conflict.

The Volkswagen Group's result before tax declined by €2.5 billion to €6.5 billion in the reporting period. The result after tax was down by €2.0 billion year on year to €4.7 billion. Of this, a share of €4.2 billion (€6.6 billion) relates to the shareholders of Volkswagen AG.

Results of operations of the Porsche AG Group

The following statements relate to the original profit/loss figures of the Porsche AG Group in the first quarter of the fiscal year 2023. It should be noted that the group result of Porsche SE only reflects its capital share in the result of the Porsche AG 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 allocation, are not taken into consideration in the explanations below.

The Porsche AG Group generated revenue of €10.1 billion in the first three months of 2023. This is an increase of 25.5% on the prior-year quarter (€8.0 billion) and is largely due to higher vehicle sales coupled with the continued improvement in unit price realization and positive mix effects.

The cost of sales rose by €1.4 billion to €7.3 billion (€5.9 billion), a decrease in proportion to revenue (72.1%, prior year: 72.8%). Despite price increases on the supplier side, a relative decrease in the cost of sales in proportion to revenue was achieved, which is primarily attributable to changes in the product and region mix.

Gross result increased accordingly by 28.8% to €2.8 billion (€2.2 billion), therefore resulting in a gross margin of 27.9% (27.2%).

Distribution expenses rose by €96 million to €521 million and, in proportion to revenue, remained on a par with the prior year at 5.2% (5.3%). Administrative expenses increased from €384 million to €509 million. In proportion to revenue, these increased slightly to 5.0% (4.8%).

Net other operating result decreased by €36 million to €53 million (€89 million). The decrease is mainly attributable to the development of currency hedges and derivatives outside of hedge accounting.

The operating result of the Porsche AG Group increased by €373 million to €1.8 billion (€1.5 billion) in the first three months of 2023. The operating return on sales of the Porsche AG Group was at the prior-year level at 18.2% (18.2%).

Despite lower interest income due to the spin-off of the loan receivable from Porsche Holding Stuttgart GmbH, the financial result increased by €102 million to €146 million (€44 million). This increase is largely attributable to the current market price and interest rate development, which had a positive effect on the securities held in the special funds. Additionally, the financial result was positively impacted by a reversal of an impairment loss on Bertrandt AG.

Due to the lower effective tax rate of 29.1% (33.1%), income tax on the increased result before tax increased at a disproportionately lower rate to €578 million (€500 million). The difference of four percentage points is primarily due to effects from the elimination of intercompany profits and to effects from at equity accounting. As a result, the result after tax increased by €396 million to €1.4 billion in the current reporting period.

Opportunities and risks of future development

Opportunities and risks of the Porsche SE Group

There were no changes regarding the risk areas and their risk assessments presented in the report on opportunities and risks at the Porsche SE Group in the combined group management report for the fiscal year 2022. For the current status of the legal proceedings of Porsche SE and for current developments, reference is made to the section "Significant events and developments at the Porsche SE Group" in this group quarterly statement.

Opportunities and risks of the Volkswagen Group

The following is based on extracts from the report on expected developments, risks and opportunities in the interim report January to March 2023 of Volkswagen AG.

Based on the results achieved in the first quarter of 2023, Volkswagen is raising its forecast for the operating result of the commercial vehicles business area and now expects to achieve an operating return on sales of between 7% and 8%. Volkswagen's forecast for all other core performance indicators remains unchanged for the fiscal year 2023.

The status of the legal risks at the level of the Volkswagen Group was also updated in the interim report of the Volkswagen Group. Beyond these events, there were no significant changes in the reporting period of Volkswagen's interim report compared to the explanations in the section "Opportunities and risks of the Volkswagen Group" in the combined group management report in the annual report of Porsche SE for the fiscal year 2022.

Outlook

Anticipated development of the Volkswagen Group

Volkswagen's planning is based on the assumption that global economic output will grow overall in 2023, albeit at a slower pace. The persistently high inflation in many regions and the resulting restrictive monetary policy measures taken by central banks are expected to increasingly dampen consumer spending. Volkswagen continues to believe that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. Volkswagen also sees continuing geopolitical tensions and conflicts as weighing on growth prospects; the Russia-Ukraine conflict also holds risks. It cannot be ruled out that risks may also arise if new variants of the SARS-CoV-2 virus occur, particularly with regard to regional outbreaks and the measures associated with these. The Volkswagen Group assumes that both the advanced economies and the emerging markets will show positive momentum on average, albeit with below-average growth in gross domestic product.

The Volkswagen Group anticipates that, amid challenging market conditions, deliveries to customers in 2023 will stand at around 9.5 million vehicles. This assumes that the shortages of intermediates and commodities and the bottlenecks in logistics will become less intense.

Challenges will arise in particular from the economic situation, the increasing intensity of competition, volatile commodity, energy and foreign exchange markets, and more stringent emissions-related requirements.

Volkswagen expects the revenue of the Volkswagen Group in 2023 to be 10% to 15% higher than the prior-year figure and the operating return on sales to lie between 7.5% and 8.5%. In the passenger cars business area, Volkswagen forecasts an increase of 7% to 13% in revenue compared with the prior year, with an operating return on sales of between 8% and 9%. For the commercial vehicles business area, the Volkswagen Group anticipates an operating return on sales of 7% to 8% amid a 5% to 15% year-on-year increase in revenue. In the power engineering business area, Volkswagen expects revenue to be slightly above the prior-year figure and operating result to be in the low triple-digit million euro range. For the financial services division, Volkswagen forecasts a strong increase in revenue compared with the prior year and an operating result in the range of €3.5 billion.

In its planning for 2023, the Porsche AG Group assumes that average global economic output will continue to grow, albeit at a somewhat lower level compared to the reporting year. This is provided that the Covid-19 pandemic does not flare up again, the Russia-Ukraine conflict does not escalate further or there are no other geopolitical hot spots with a global impact. Risks continue to be seen in protectionist tendencies, turbulence in financial markets, structural deficits in some countries, the real economic impact of high inflation rates around the world, rising interest rates as well as market shortages for intermediates and raw materials including energy.

For 2023 as a whole, based on the aforementioned assumptions, the Porsche AG Group expects the operating return on sales to range between 17% and 19%. This forecast is based on assumed revenue in a range of €40 billion to €42 billion.

Anticipated development of the Porsche SE Group

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

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

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

The result of the Porsche SE Group is also affected by the result from investments accounted for at equity that is attributable to Porsche SE and therefore on the earnings situation of the Porsche AG Group. The earnings forecast of Porsche SE therefore also takes into account the expectations of the Porsche AG Group regarding its future development.

The forward-looking statements of the forecast are based in large parts on estimates and expectations of the Volkswagen Group and the Porsche AG Group, which can be influenced by unforeseeable events. As a result of this, the actual business development may deviate, both positively and negatively, from the expectations. Risks that could lead to such deviations primarily include the consequences from geopolitical tensions potentially intensifying, protectionist tendencies, persistently high inflation, structural deficits of individual advanced economies, turbulence in the financial, energy and commodity markets, supply shortages, and a failure to contain the Covid-19 pandemic in a lasting way, tightening of environmental protection regulations as well as any other negative effects from the diesel issue.

In particular on the basis of the expectations of the Volkswagen Group and the Porsche AG Group regarding their future development, Porsche SE continues to expect a group result after tax of between €4.5 billion and €6.5 billion for the fiscal year 2023.

As of 31 March 2023, the Porsche SE Group has net liquidity of minus €6.7 billion. As of 31 December 2023, negative net liquidity of between minus €6.1 billion and minus €5.6 billion continues to be expected for the Porsche SE Group.

The earnings forecast as well as the net liquidity forecast are based on the current structure of the Porsche SE Group. Effects from future investments and divestitures are not taken into account.

Glossary

Glossary

Selected terms at a glance

Gross margin

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

Equity ratio

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

Diesel issue

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

Operating result

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

Operating return on sales

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

Selected financial information

Consolidated income statement of Porsche Automobil Holding SE for the period from 1 January to 31 March 2023

€ million	Jan - March 2023	Jan - March 2022
Result from investments accounted for at equity	1,357	2,047[1]
Income from investment valuation	1	3
Expenses from investment valuation	–1	–4
Result from investments	**1,357**	**2,046[1]**
Other operating income	0	0
Personnel expenses	–4	–3
Amortization and depreciation	0	0
Other operating expenses	–3	–5
Result before financial result	**1,351**	**2,037[1]**
Finance costs	–73	–1
Other financial result	3	0
Financial result	**–70**	**–1**
Result before tax	**1,281**	**2,036[1]**
Income taxes	–15	4
Result after tax from continuing operations	**1,265**	**2,040[1]**
Result after tax from discontinued operations		96
Result after tax	**1,265**	**2,136[1]**

Consolidated statement of comprehensive income of Porsche Automobil Holding SE for the period from 1 January to 31 March 2023

€ million	Jan - March 2023	Jan - March 2022
Result after tax	**1,265**	**2,136[1]**
Other comprehensive income after tax	–269	1,614
Total comprehensive income	**997**	**3,750[1]**
from continuing operations	997	3,653[1]
from discontinued operations		96

[1] Prior-year figures were adjusted due to the first-time application of IFRS 17. Please refer to the explanations in the section "Explanatory notes on results of operations, financial position and net assets".

Consolidated balance sheet of Porsche Automobil Holding SE as of 31 March 2023

€ million	**31/3/2023**	31/12/2022
Assets		
Intangible assets	0	0
Property, plant and equipment	1	1
Investments accounted for at equity	59,636	58,546[1]
Other financial assets	189	204
Other assets		0
Non-current assets	**59,825**	**58,751[1]**
Other financial assets	3	25
Other assets	2	1
Income tax receivables	316	316
Securities	50	70
Time deposits	70	265
Cash and cash equivalents	103	86
Current assets	**545**	**762**
	60,370	**59,513[1]**
Equity and liabilities		
Subscribed capital	306	306
Capital reserves	4,884	4,884
Retained earnings	47,733	46,477[1]
Other reserves (OCI)	194	473[1]
Equity	**53,118**	**52,140[1]**
Provisions for pensions and similar obligations	28	27
Other provisions	24	27
Financial liabilities	5,871	3,152
Other financial liabilities	9	
Deferred tax liabilities	177	176
Non-current liabilities	**6,109**	**3,382**
Provisions for pensions and similar obligations	1	1
Other provisions	31	29
Trade payables	1	4
Financial liabilities	1,096	3,941
Other financial liabilities	1	1
Other liabilities	5	5
Income tax liabilities	10	10
Current liabilities	**1,144**	**3,991**
	60,370	**59,513[1]**

1 Prior-year figures were adjusted due to the retrospective application of IAS 28 for the preference shares of Volkswagen AG held by Porsche SE and previously classified pursuant to IFRS 5 and due to the first-time application of IFRS 17. Please refer to the explanations in the section “Explanatory notes on results of operations, financial position and net assets”.

Consolidated statement of cash flows of Porsche Automobil Holding SE for the period from 1 January to 31 March 2023

€ million	**Jan - March 2023**	Jan - March 2022
1. Operating activities		
Result after tax	1,265	2,136[1]
Result after tax from discontinued operations		–96
Result from investments	–1,357	–2,046[1]
Amortization and depreciation	0	0
Interest expense	73	1
Interest income	–3	0
Income tax expense/income	15	–4[1]
Other non-cash expenses (+) and income (-)	0	1
Change in other assets	30	0
Change in provisions for pensions	0	0
Change in other provisions	–1	–1
Change in other liabilities	–5	–2
Dividends received	22	
Interest paid	–74	–1
Interest received	1	0
Income tax received		0
Cash flow from operating activities	**–32**	**–11**
2. Investing activities		
Cash paid for the acquisition of intangible assets and property, plant and equipment	0	0
Cash received from the disposal of subsidiaries net of cash and cash equivalents		196
Cash paid for the acquisition of shares in investments accounted for at equity	0	–5
Cash paid for the acquisition of other shares in entities	–42	
Cash received from the disposal of other shares in entities		2
Change in investments in securities	20	
Change in investments in time deposits	195	15
Cash flow from investing activities	**173**	**207**
3. Financing activities		
Dividends paid to shareholders of Porsche SE	0	0
Cash received from raising financial liabilities	2,726	0
Cash paid for settlement of financial liabilities	–2,850	0
Cash flow from financing activities	**–124**	**0**
4. Cash and cash equivalents		
Cash and cash equivalents as of 1 January	86	271
plus cash and cash equivalents as of 1 January from discontinued operations		25
Change in cash and cash equivalents (subtotal of 1 to 3)	17	197
Cash and cash equivalents as of 31 March	**103**	**493**

[1] Prior-year figures were adjusted due to the first-time application of IFRS 17. Please refer to the explanations in the section "Explanatory notes on results of operations, financial position and net assets".

Financial calendar

30 June 2023
Annual general meeting 2023

8 August 2023
Half-yearly financial report 2023

13 November 2023
Group quarterly statement 3rd Quarter 2023

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

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