PORSCHE SE

Group quarterly statement

3rd Quarter

2023

Content

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.

Business development

3rd 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 30 September 2023, the Porsche SE Group had 39 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 nine 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 third quarter of the fiscal year 2023, unless reference is made in this section to another time period.

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 €11.3 billion in the first three quarters of the fiscal year 2023 compared to €12.3 billion in the prior-year period. No material special items in connection with the diesel issue were recognized in the period from January to September 2023. In the prior-year period, negative special items in connection with the diesel issue of €0.4 billion had been recognized. For further details, please also refer to sections “Business development” and “Results of operations of the Volkswagen Group”.

As of 30 September 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.

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 €3.9 billion in the first three quarters of the fiscal year 2023 compared to €3.7 billion in the prior-year period.

As of 30 September 2023, likewise for the investment in Porsche AG, there was no indication of an impairment of the carrying amount 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.

The dividend for the fiscal year 2022 of €1.00 per ordinary share and €1.01 per preference share resolved by the annual general meeting of Porsche AG on 28 June 2023 was received by Porsche SE on 3 July 2023, amounting to €114 million in proportion to the number of ordinary shares held.

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

Porsche SE is involved in various legal proceedings. The main developments 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 are to be interrogated in the United Kingdom by way of a request for mutual legal assistance. On 11 May 2023 one of the witnesses was interrogated by the Oxford County Court. The other witness referred to his right to refuse to testify pursuant to German law via the High Court. The Higher Regional Court of Stuttgart will decide whether or not the right to refuse to testify applies. Only thereafter, and only if the Higher Regional Court of Stuttgart has decided that a right to refuse to testify does not apply, can the other witness be interrogated by the English courts. 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 209 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, ten 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 €13.8 million (plus interest), are currently suspended, whereby the majority of the suspended proceedings are suspended with reference to a KapMuG proceeding meanwhile pending before the Federal Court of Justice. 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 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 against Porsche SE 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 binding partial model case ruling regarding questions of jurisdiction. Several hearings have taken place before the Higher Regional Court of Braunschweig. In spring 2023, the Higher Regional Court of Braunschweig invited the parties to consider entering into discussions aimed at a potential settlement. Porsche SE recently communicated not to have an intention to participate therein but that it will not stand in the way of a settlement between the parties either. On 7 July 2023 the Higher Regional Court of Braunschweig issued an order to take evidence and requested numerous persons to be interrogated and documents to be produced and submitted. The requested gathering of evidence focuses initially on the question whether or not Volkswagen AG's management board, individual members thereof and/or members of its ad-hoc clearing committee had knowledge of the installation of switch functions in Volkswagen AG vehicles that are inadmissible pursuant to US law. Furthermore, evidence will be gathered on expectations of the persons responsible for ad-hoc publications within Volkswagen AG regarding possible effects on the share price resulting from the information available to each of them. The interrogations commenced in the autumn of 2023 and will be resumed.

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 initially filed an appeal against this ruling but has later withdrawn his appeal. The decision of the Regional Court is therefore final and the proceedings have ended.

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 nine months 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 of the Russia-Ukraine conflict in the first nine months 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 or were concluded.

On 18 May 2023, the Volkswagen Group completed the sale of its shares in OOO Volkswagen Group Rus, Kaluga, Russia (“Volkswagen Group Rus”), and that company’s local subsidiaries (OOO Volkswagen Components and Services, Kaluga, Russia, OOO Scania Leasing, Moscow, Russia, OOO Scania Finance, Moscow, Russia, OOO Scania Insurance, Moscow, Russia) to OOO ART-FINANCE, Moscow, Russia, which is supported by the Russian dealer AO Avilon Automotive Group, Moscow, Russia. With the registration of the transaction on 22 May 2023, ownership of the shares in the authorized capital of Volkswagen Group Rus was transferred from the seller side to the buyer. The transaction includes the production facilities in Kaluga, the importer structure of the group brands Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, AUDI, ŠKODA, Bentley, Lamborghini and Ducati for potential after-sales business and the warehousing as well as the Scania financial services activities with all its associated employees.

In this context, the Volkswagen Group had already made significant impairments in the fiscal year 2022 and taken appropriate provisions. The sale price amounts to €0.1 billion. The deconsolidation of the affected companies resulted in a loss of €0.4 billion in the fiscal year 2023 at the level of the Volkswagen Group. Apart from winding down Volkswagen Group Rus and its subsidiaries, no additional material expenses were recognized in connection with the Russia-Ukraine conflict in the first nine months of the fiscal year 2023.

The situation in connection with the SARS-CoV-2 virus eased at the beginning of the fiscal year.

In the first few months of the fiscal year 2023, parts supply shortages continued to have a negative impact. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the fiscal year.

Shareholdings and material transactions

On 26 July 2023, Volkswagen entered into an agreement with the electric vehicle company XPeng Inc., Cayman Islands (“XPeng Inc.”), to acquire up to 4.99% of the ordinary shares of XPeng Inc. for a fixed purchase price of US$15 per share, up to a total of US$710 million. The transaction is expected to close in the fourth quarter of 2023. Until the transaction closes, fluctuations in the value of the forward purchase agreement related to the acquisition of shares are measured through profit or loss. Due to the positive performance of the share price of XPeng Inc., there was a non-cash gain of €149 million as of 30 September 2023 at the level of the Volkswagen Group. Along with the agreement to acquire the shares, a technological framework agreement was signed with Guangdong Xiaopeng Motors Technology Co. Ltd., Guangzhou, People’s Republic of China, a subsidiary of XPeng Inc., for the joint development of electric vehicles in China, among other things. The transaction is subject to customary closing conditions, including approval by the responsible authorities.

At the same time as the above, Audi and its Chinese joint venture partner SAIC VOLKSWAGEN signed a strategic memorandum to further expand their existing cooperation. The aim of the joint development work is to swiftly and efficiently expand the portfolio of smart, fully connected electric vehicles on offer in the premium segment. Details of the collaboration on future electric platforms are the subject of further negotiations between the partners.

Volkswagen Financial Services AG (“VW FS”) and Pon Holdings (“Pon”) signed a memorandum of understanding at the beginning of September 2023 to intensify their partnership in the leasing of company bikes. The aim of the partners is to expand together in the growing bicycle and e-bike leasing business in Europe and the USA. VW FS is thereby supporting the strategic goals of the Volkswagen Group as it becomes a broad-based provider of sustainable mobility. As part of this partnership, VW FS will acquire a 49% stake in the Pon subsidiary Bike Mobility Services (“BMS”). BMS provides solutions for companies in the areas of bicycle leasing and financing. The investment by VW FS in BMS is subject to approval by the regulatory authorities and by the supervisory boards of Volkswagen AG and Volkswagen Financial Services AG.

Under the Volkswagen Group's North America strategy, Scout Motors Inc., Arlington, Virginia, USA, a wholly owned subsidiary of Volkswagen Finance Luxemburg, Strassen, Luxembourg, was established in the fiscal year 2022. 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 by Volkswagen to the company in the fiscal year 2023. Payments of US$303 million had already been made by 30 September 2023. The company has been included in the Volkswagen consolidated financial statements since 1 January 2023.

In the fiscal years 2020 and 2021, the Volkswagen Group acquired new shares in QuantumScape Corporation, San José, California, USA, through forward purchase agreements resulting from a capital increase. Due to QuantumScape Corporation's simultaneous listing on the New York Stock Exchange, the forward purchase agreements had to be measured at the respective closing prices. As a consequence, a non-cash gain of €1.4 billion was recognized in the fiscal year 2020 and a non-cash expense of €0.6 billion in the fiscal year 2021 at the level of the Volkswagen Group. In total, there was a non-cash increase of €0.8 billion. Due to the share price performance, the Volkswagen Group conducted an impairment test on the shares in QuantumScape Corporation. The carrying amount was adjusted on the basis of the impairment test. This adjustment led to a non-cash expense of €0.3 billion in the second quarter of 2023 at the level of the Volkswagen Group. An additional adjustment of €0.1 billion was identified in the third quarter of 2023. In total, a non-cash expense of €0.4 billion was recognized in the reporting period at the level of the Volkswagen Group.

On 27 September 2023, the shareholders AUDI AG, Ingolstadt, Volkswagen (China) Investment Co., Ltd., Beijing, China, and China FAW Corporation Limited, Changchun, China, resolved amendments to the articles of association of Audi FAW NEV Co., Ltd., Changchun, China, effective from 1 October 2023. There is no information yet on potential approval by the antitrust authorities in China. While the equity interests held remain unchanged, the amendments will lead to a loss of control over the company by the Volkswagen Group and result in its deconsolidation. The company will in future be jointly controlled within the meaning of IFRS 11. The investment in Audi FAW NEV Co. will consequently be included in the Volkswagen consolidated financial statements as a joint venture using the equity method. As a result of the change to the way the investment is accounted for, the cash and cash equivalents previously reported will decline by a low three-digit million-euro amount at the level of the Volkswagen Group. Other than that, there will be no material effects on the Volkswagen Group's net assets, financial position and results of operations.

Assets and disposal groups held for sale of the current fiscal year

The intention resolved at Porsche AG in September 2022 to sell 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, continues to be in place. In view of the change in external conditions, the disposal project is expected to be completed within the next six months. An impairment loss of €25 million was recognized for the disposal group as of 31 December 2022 at the level of the Volkswagen Group. Another minor impairment loss was recognized as of 30 September 2023 at the level of the Volkswagen Group.

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 Volkswagen's responsible bodies was followed by the implementation of a disposal plan, which is expected to be completed in the fourth quarter of 2023. Impairment losses of €202 million were recognized in this context in the period up to 30 September 2023 at the level of the Volkswagen Group.

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 under German and Swiss law. The transaction is expected to be completed within the fiscal year 2024.

In addition, the passenger car business, which was demerged from the fully consolidated subsidiary EURO-Leasing GmbH, Sittensen, to Euromobil GmbH in the third quarter of 2023, continued to be classified as a disposal group held for sale as of 30 September 2023 at the level of the Volkswagen Group in accordance with the provisions of IFRS 5. The transaction is expected to close in the fourth quarter of 2023 by way of the sale of 51% of the shares in Euromobil GmbH to Europcar Mobility Group. The disposal group as a whole is subject to the measurement provisions of IFRS 5 because it contains assets that fall under the scope of IFRS 5.

Pursuant to IFRS 5, the assets and liabilities held for sale have been recognized at a lower of their carrying amount and fair value less expected costs of disposal 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. The resulting shortage of supply led particularly in 2022 to rising prices on energy and commodity markets. While prices have dropped in recent months as a result of weakening momentum in the global economy, they remain at a relatively high level in some cases. Furthermore, salary trends in the overheated labor markets, among other factors, 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 in 2022 despite the Russia-Ukraine conflict, economic growth continued to recover in the reporting period on average, albeit with lower momentum overall compared with the prior year. This was mainly due to weaker growth in the advanced economies, whereas the overall rate of change in the emerging markets increased somewhat. At 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, which had an accordingly 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 expressed in nominal terms decreased in the reporting period.

Trends in the markets for passenger cars and light commercial vehicles

From January to September 2023, the volume of the global passenger car market was noticeably above the comparative figure for 2022 at 56.1 million vehicles (up 9.3%). The performance of the largest passenger car markets was positive, due among other things to the weak prior-year figures. While the supply situation for intermediates improved compared with 2022, the trend in new registrations in individual markets dampened at the end of the prior year, particularly as a consequence of the Russia-Ukraine conflict and pull-forward effects generated by state subsidies expiring. Significant growth was recorded in the overall markets of the Western Europe, Central and Eastern Europe, Middle East and North America regions. The markets of the South America and Asia-Pacific regions were slightly higher than the prior-year level. The market in Africa fell noticeably short of the prior-year volume.

In the first three quarters of 2023, the global volume of new registrations for light commercial vehicles was noticeably higher (up 5.7%) than in the prior year.

Trends in the markets for commercial vehicles

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was significantly higher in the reporting period than in the same period of 2022. Truck markets globally were significantly up on the prior-year level. This was due to an improved situation in global supply chains and the strong recovery in China, the world's largest truck market, following the end of the country's zero-Covid strategy.

In the first nine months of 2023, there was a 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 nine months of 2023; however, higher interest rates put pressure on demand for financial services in almost all regions.

Volkswagen Group deliveries

The Volkswagen Group delivered 6.7 million vehicles to customers worldwide from January to September 2023. This was 10.9% or 659 thousand units more than in the same period of the prior year, which had suffered in particular from the limited availability of Volkswagen Group models caused by the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting period. In addition, disruptions in logistics chains had a negative impact, but this diminished over the course of 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 from January to September 2023 increased by 10.7% year on year to 6.5 million units. With the exception of Bentley, all Volkswagen Group brands delivered more vehicles to customers than in the same period of the prior year. While sales figures in the Asia-Pacific region were slightly below the prior-year figure, Volkswagen deliveries to customers rose in all other sales regions around the world.

The Volkswagen Group's e-mobility campaign continued to move ahead successfully; Volkswagen delivered 532 thousand all-electric vehicles to customers worldwide in the first nine months of this year. This was 165 thousand units or 45.0% more than in the same period of the prior year. Their share of the group's total deliveries rose to 7.9% (6.1%). A total of 175 thousand of Volkswagen's plug-in hybrid models (up 5.5%) were delivered to customers.

In an overall global market experiencing noticeable growth, Volkswagen achieved a passenger car market share of 11.0% (11.0%).

Between January and September 2023, the Volkswagen Group delivered 14.9% more commercial vehicles to customers worldwide than in the same period of the prior year. The Volkswagen Group handed over a total of 249 thousand commercial vehicles to customers in the first three quarters of the year.

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

	2023	2022	Change %
Regions			
Europe/Other markets	3,082,186	2,493,303	23.6
North America	716,087	631,254	13.4
South America	365,665	337,548	8.3
Asia-Pacific	2,551,853	2,594,247	–1.6
Worldwide	**6,715,791**	**6,056,352**	**10.9**
by brands			
Volkswagen passenger cars	3,484,230	3,334,523	4.5
ŠKODA	642,190	544,515	17.9
SEAT	391,831	291,979	34.2
Volkswagen commercial vehicles	300,509	234,403	28.2
Audi	1,387,036	1,193,529	16.2
Lamborghini	7,744	7,430	4.2
Bentley	10,053	11,316	–11.2
Porsche	242,722	221,512	9.6
Passenger cars and light commercial vehicles total	**6,466,315**	**5,839,207**	**10.7**
Scania	67,654	58,384	15.9
MAN	83,996	55,756	50.6
Navistar	68,176	59,908	13.8
Volkswagen Truck & Bus	29,650	43,097	–31.2
Commercial vehicles total	**249,476**	**217,145**	**14.9**

[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

From January to September 2023, the Volkswagen Group's unit sales to the dealer organization[1] rose year on year by 8.3% to 6.8 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 had a negative impact in the reporting period as did disruption in the global logistics chains, although this disruption reduced as the year progressed. Unit sales outside Germany rose by 7.1% to 5.9 million vehicles. Growth was recorded in particular in the United Kingdom, the USA, Türkiye, Brazil, Mexico and France while unit sales in China declined. Unit sales in Germany increased by 17.9% year on year. Vehicles sold in Germany as a proportion of the group's overall sales increased to 12.7% (11.7%).

The Volkswagen Group produced 6.9 million vehicles (including the equity-accounted companies in China) in the first three quarters of 2023, 7.3% more than in the comparative 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 production in the reporting period. Production in Germany increased by 24.9% to 1.5 million vehicles. The proportion of the group's total production accounted for by Germany increased to 21.5% (18.5%).

Global inventories of new vehicles at Volkswagen 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. The effect of disruption in the logistics chains continued to have a negative impact in the reporting period.

Volkswagen Group financial services

The financial services division's products and services were popular in the period from January to September 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 increased by 10.9% to 7.0 million. The ratio of leased and financed vehicles to Volkswagen Group deliveries (penetration rate) in the financial services division's markets stood at 33.3% (32.0%) in the reporting period. The total number of contracts stood at 24.6 million (24.5 million) on 30 September 2023.

[1] The dealer organization comprises all VW 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 2023 and as of 30 September 2023. While the prior-year figures for the results of operations relate to the period from 1 January to 30 September 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. These changes are primarily due to the changed system 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's consolidated financial statements. This caused the result from investments accounted for at equity for the first three quarters of the fiscal year 2022 to increase by €6 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 prior-year 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 and previously classified pursuant to IFRS 5 (for more details, see the selected explanatory notes in the condensed consolidated interim financial statements for the first half of 2023). On the one hand, the preference shares are no longer recognized as assets held for sale previously amounting to €314 million. On the other hand, this resulted in 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 increased the result from investments for the first three quarters of the fiscal year 2022 by €719 million, while the deferred income tax income incurred thereon decreased by €3 million.

Results of operations of the Porsche SE Group

The result after tax of the Porsche SE Group came to €3,801 million (€4,751 million) in the first nine months of the fiscal year 2023, relating entirely to continuing operations (€4,654 million). In the prior year, €96 million related to discontinued operations. Of the result after tax from continuing operations, €3,813 million (€4,626 million) relates to the core investments segment and minus €12 million (€28 million) to the portfolio investments segment.

€ million	Core investments	Portfolio-investments	**Group Jan. - Sep. 2023**	Group Jan. - Sep. 2022
Result from investments accounted for at equity	3,835	−7	3,828	4,450[1]
thereof Volkswagen AG	3,599		3,599	4,420[1]
thereof Porsche AG	236		236	5
thereof portfolio investments		−7	−7	25
Income from investment valuation		1	1	12
Expenses from investment valuation		−7	−7	−8
Result from investments	**3,835**	**−12**	**3,823**	**4,453[1]**
Other operating income	220	0	220	178
Personnel expenses	−13		−13	−11
Amortization and depreciation	0		0	0
Other operating expenses	−14	0	−14	−17
Result before financial result	**4,027**	**−12**	**4,015**	**4,603[1]**
Financial result	−207	0	−207	−4
Result before tax	**3,820**	**−12**	**3,808**	**4,599[1]**
Income taxes	−7	0	−7	56[1]
Result after tax from continuing operations	**3,813**	**−12**	**3,801**	**4,654[1]**
Result after tax from discontinued operations				96
Result after tax	**3,813**	**−12**	**3,801**	**4,751[1]**
Other comprehensive income after tax	338	1	339	4,625[1]
Total comprehensive income	**4,151**	**−11**	**4,140**	**9,376[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. This increased the result from investments by €725 million overall, while deferred income tax income decreased by €3 million.

The result after tax in the core investments segment was significantly influenced by the result from investments in Volkswagen accounted for at equity of €3,599 million (€4,420 million). This contains profit contributions from ongoing at equity accounting before purchase price allocations of €3,622 million (€3,882 million) as well as subsequent effects from purchase price allocations of minus €23 million (minus €59 million). The prior-year result from investments in Volkswagen accounted for at equity also included income of €597 million from the recognition of a bargain purchase through profit or loss following the acquisition of preference shares of Volkswagen AG. This was a result of the difference between the proportionate remeasured equity of the Volkswagen Group and the acquisition costs for the Volkswagen preference shares. With regard to the development in the result at the level of the Volkswagen Group, please also refer to the 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 €236 million in the reporting period. This contains profit contributions from ongoing at equity accounting before the purchase price allocation of €492 million as well as subsequent effects from the purchase price allocation of minus €256 million. In the prior year, the result was only attributed to Porsche SE from 29 September 2022. For the last two days of the prior-year comparative period there was no significant impact on the results of operations of the Porsche SE Group.

Other operating income, personnel expenses, amortization and depreciation, the financial result and income tax income of the core investments segment virtually match the amounts for the group as a whole.

Other operating income from the reporting period includes income of €219 million from a claim for compensation against Volkswagen AG. This results from the provisions in the contribution agreement in connection with the contribution of the holding business operations of Porsche SE to Volkswagen AG in the fiscal year 2012. In connection with the contribution, Porsche SE under certain circumstances holds the companies transferred as well as their legal predecessors harmless from tax disadvantages that exceed the obligations from periods up until and including 31 July 2009 recognized at the level of these entities. In return, Volkswagen AG has undertaken to reimburse Porsche SE for any tax advantages of the companies transferred as well as their legal predecessors and subsidiaries relating to tax assessment periods up to 31 July 2009. After the tax field audit of Porsche AG for the assessment period 2009 was substantively completed in the third quarter of 2023, the findings of the tax field audit of Porsche AG were accepted by Porsche SE which is liable for the tax payments as the former ultimate tax parent. Based on the findings of the tax field audit for the assessment periods 2006 to 2009, a claim for compensation of €209 million against Volkswagen AG was recognized as of 30 September 2023 net of €9 million provisions recognized in prior years.

In the prior year, €177 million of other operating income related to the proportionate realization of an intercompany profit that was eliminated in the fiscal year 2012. This intercompany profit was attributable to the contribution of the operating business of Porsche SE, i.e., primarily the investment in Porsche Holding Stuttgart GmbH, to Volkswagen AG in the fiscal year 2012. The sale of preference shares of Porsche AG by Volkswagen to third parties in the course of the IPO of Porsche AG triggered the proportionate realization of the intercompany profit in 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 €207 million (minus €4 million) contains interest expenses and other finance costs totaling minus €221 million (minus €3 million), mainly from financing. Interest income and other finance income of €13 million (€0 million) largely from fixed-term deposits had an opposite effect. 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 in the portfolio investment segment largely corresponds to its result from investments, which contains the result from investments accounted for at equity of minus €7 million (€25 million) as well as income of €1 million (€12 million) and expenses of €7 million (€8 million) from the fair value measurement of portfolio investments.

The result after tax from discontinued operations in the comparative period results from 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 after tax of the Porsche SE Group of €339 million (€4,625 million) mainly contains effects resulting from the investment in Volkswagen AG accounted for at equity.

Financial position of the Porsche SE Group

Cash inflow from operating activities amounted to €1,693 million (€841 million) in the reporting period and largely contains the dividends received from the investment in Volkswagen AG totaling €1,415 million (€884 million) and in Porsche AG of €114 million.

Of the Volkswagen dividend, €1,393 million related to the ordinary dividend for the fiscal year 2022 and €22 million to the special dividend, which had been resolved by the annual general meeting of Volkswagen AG on 16 December 2022 in connection with the IPO and the sale of ordinary shares in Porsche AG, but not paid out until 9 January 2023. Porsche SE's special dividend claim against Volkswagen AG of €3.1 billion was offset against the remaining purchase price liability for the second tranche of Porsche SE's acquisition of ordinary shares in Porsche AG to Volkswagen of €3.0 billion. These dividend inflows were not subject to any capital gains tax deduction. In the comparative period, the gross dividend from Volkswagen of €1,201 million attributable to Porsche SE was initially subject to capital gains tax plus solidarity surcharge of 26.375% or €317 million and was only paid out in the amount of the net dividend of €884 million. In the reporting period, the cash inflow from operating activities includes a €316 million corporate income tax refund, which is largely due to this capital gains tax deduction.

It also contains cash inflows from the termination of derivative contracts of €97 million and from interest received from fixed-term deposits of €9 million. This was offset by cash outflows in the reporting period of €222 million primarily for interest paid including transaction costs in connection with the debt capital raised. In addition, both the reporting and the comparative period include cash outflows for expenses relating to holding business operations.

There was a cash outflow from investing activities of €159 million (€115 million) in the first nine months of the fiscal year 2023. This largely resulted from changes in investments in securities and time deposits totaling minus €98 million (cash inflow: €135 million) as well as cash payments of €61 million (€14 million) for acquisitions of shares of portfolio investments measured at fair value or the participation in a subsequent financing round at an existing portfolio investment. In the comparative period, cash outflow from investing activities was also attributable to cash paid for the acquisition of preference shares in Volkswagen AG of €400 million as well as for participating in a capital increase of European Transport Solution S. à r.l., Luxembourg, of €35 million. In contrast, the comparative period included a cash inflow from the sale of shares in the PTV Group of €221 million less the cash and cash equivalents of the PTV Group of €25 million disposed of in the course of the deconsolidation.

There was a cash outflow from financing activities of €1,222 million (€783 million) in the first nine months of the fiscal year 2023. This cash outflow resulted from the dividend payment made to the shareholders of Porsche SE of €783 million and the repayment of the bridge loan in excess of the refinancing from the Schuldschein loan and the bonds. In the prior year, the cash outflow was entirely attributable to the dividend payment made to the shareholders of Porsche SE.

Cash and cash equivalents increased to €397 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, increased as of 30 September 2023 to minus €5.8 billion (minus €6.7 billion) compared to 31 December 2022.

Net assets of the Porsche SE Group

Compared to 30 September 2023, the Porsche SE Group's total assets increased by €2.9 billion to €62.4 billion as of 31 December 2022.

The Porsche SE Group's non-current assets of €61.4 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 €2.5 billion to €50.8 billion. Of the increase in the carrying amount, €3,622 million is attributable to the result from ongoing at equity accounting, minus €23 million to effects from the subsequent measurement of the hidden reserves and liabilities identified and €323 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 increased the carrying amount by €7 million. Allocated dividends of €1,393 million reduced the carrying amount.

The carrying amount of the core investment in Porsche AG accounted for at equity increased by €130 million to €10.3 billion compared to 31 December 2022. Of the increase in the carrying amount, €492 million is attributable to the result from ongoing at equity accounting, minus €256 million to effects from the subsequent measurement of the hidden reserves and liabilities identified and €17 million to expenses and income recognized in other comprehensive income. Allocated dividends of €114 million reduced the carrying amount. In addition, adjustments to equity not recognized through total comprehensive income at the level of the Porsche AG Group also reduced the carrying amount by minus €9 million.

The non-current other financial assets of €154 million (€204 million) include shares of portfolio investments of €90 million (€59 million) as well as interest rate hedging instruments of €62 million (€142 million) measured at fair value to which hedge accounting applies in all cases.

Current assets of €1,053 million (€762 million) mainly consist of cash and cash equivalents, time deposits and securities. This also includes the claim for compensation against Volkswagen from the contribution agreement as of the reporting date (see section "Results of operations of the Porsche SE Group"). In the prior year, current assets also included income tax receivables totaling €316 million, which were largely attributable to withheld capital gains tax for dividend payments received from Volkswagen AG.

The equity of the Porsche SE Group increased to a total of €55.5 billion (€52.1 billion) due to the positive total comprehensive income as of 30 September 2023. The equity ratio of 88.9% (87.6%) increased compared to the end of the fiscal year 2022.

To refinance the bank loan of €7.1 billion taken out in the prior year in connection with the acquisition of ordinary shares in Porsche AG, of which as of 31 December 2022 €3.9 billion related to a bridge loan recognized under current financial liabilities and €3.2 billion to bank loans recognized under non-current financial liabilities, Porsche SE successfully placed a Schuldschein loan of around €2.7 billion in March 2023. The promissory note comprises eight tranches with terms of three, five, seven and ten years, each of which is subject to a fixed or variable interest rate. On 20 April 2023, Porsche SE also made its successful debut on the bond market. As part of a debt issuance program set up for this purpose, a first bond was issued with a total volume of €750 million, an annual coupon of 4.5% and a term until September 2028.

The proceeds from issuing the Schuldschein loan and this first bond were used by Porsche SE to refinance a significant part of the bridge loan. The bridge loan was repaid in full when the dividend of Volkswagen AG was paid out to Porsche SE in May 2023.

Furthermore, on 26 June 2023 Porsche SE issued a bond with a volume of €500 million, an annual coupon of 4.125% and a term until September 2027 as well as a bond with a volume of €750 million, an annual coupon of 4.25% and a term until September 2030. Upon payment on 4 July 2023, the proceeds from these bonds were used for the partial repayment of the five-year bank loan.

As a result, the maturity profile of the financial liabilities changed, as has the presentation of maturities in the consolidated balance sheet. Of the total financial liabilities of €6.7 billion (€7.1 billion), €6.6 billion (€3.2 billion) is classified as non-current and €0.1 billion (€3.9 billion) as current as of 30 September 2023.

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 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 nine months of the fiscal year 2023, the Volkswagen Group's revenue was €235.1 billion, up 15.9% on the prior-year figure. This was mainly attributable to a rise in volume and beneficial changes in the price positioning and in the mix. These factors were offset by exchange rate effects. The prior-year period had been impacted to an even greater extent by limited vehicle availability due to parts supply shortages. The Volkswagen Group generated 81.6% (82.6%) of its revenue abroad. Gross profit (revenue less cost of sales) increased by €5.2 billion to €44.3 billion. The gross margin stood at 18.9% (19.3%).

At €16.2 billion (€17.1 billion), the Volkswagen Group's operating result in the first three quarters of 2023 was down on the prior-year period. The operating return on sales was 6.9% (8.4%). In particular higher vehicle sales and improved price positioning were set against a rise in product costs (in particular for commodities). The operating result in the reporting period was weighed down by adverse effects from the fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedges). These factors had had a positive impact in the prior-year period, also boosted by beneficial effects from derivatives in the financial services division. The deconsolidation of Volkswagen Group Rus and its subsidiaries led to a loss of €0.4 billion in 2023. In the prior year, the result had been impacted mainly by expenses relating to loss allowances and risk provisions due to the direct impact of the Russia-Ukraine conflict and special items in connection with the diesel issue.

The financial result increased by €1.5 billion to €1.5 billion. The share of the result of equity-accounted investments was on a level with the prior year. In the interest result, higher interest income was unable to offset the rise in interest expenses. The other financial result was affected in the reporting period among other things by adverse exchange rate effects and non-cash losses from adjustments to the carrying amounts of investees because of changes in share prices and impairment tests. In the prior-year period, the impairment loss recognized on the equity investment in ARGO AI and changes in share prices affecting net income from securities and funds, mainly as a result of the Russia-Ukraine conflict, had both had a negative impact.

The Volkswagen Group's result before tax was up €0.7 billion to €17.7 billion in the reporting period. The result after tax was on a level with the prior year, at €12.9 billion (€12.8 billion). The result after tax and non-controlling interests decreased by €0.9 billion to €11.3 billion.

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 three quarters 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 addition to being included via 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

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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 €30.1 billion in the first nine months of 2023. This is an increase of 12.6% on the prior-year period (€26.8 billion) and is largely due to higher vehicle sales coupled with positive product mix and price effects. Currency development had the opposite effect on revenue.

The cost of sales rose by €2.4 billion to €21.5 billion (€19.2 billion) and was therefore on a par with the prior year in proportion to revenue at 71.5% (71.6%).

Gross profit increased accordingly by 13.1% to €8.6 billion (€7.6 billion), therefore resulting in a gross margin of 28.5% (28.4%).

Distribution expenses increased by €507 million to €2.0 billion. In proportion to revenue, these increased to 6.7% (5.6%). Administrative expenses increased from €1.2 billion to €1.4 billion. In proportion to revenue, they stood at 4.6% (4.4%).

Net other operating result increased by €161 million to €301 million (€140 million). Accordingly, the operating result of the Porsche AG Group increased by €452 million to €5.5 billion (€5.0 billion) in the first nine months of 2023. The operating return on sales of the Porsche AG Group thus stood at 18.3% (18.9%).

In the first nine months of 2023, the financial result decreased by €122 million to €144 million (€266 million). The decrease primarily results from lower interest income due to the spin-off of the loan receivable from Porsche Holding Stuttgart GmbH in the prior year as well as lower interest income due to changes in the interest rates used to measure provisions. The current market price and interest rate development had an offsetting effect, which had a positive effect on interest income and on the securities held in special funds.

Due to the lower effective tax rate of 30.2% (30.4%), income tax did not increase in proportion to the profit before tax, rising to €1.7 billion (€1.6 billion). The result after tax increased by €240 million to €3.9 billion in the current reporting period. The result after tax and non-controlling interests increased by €247 million to €3.9 billion.

Opportunities and risks of future development

Opportunities and risks of the Porsche SE Group

There were no significant 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

Volkswagen AG has updated several core performance indicators in its interim management report for the period from January to September 2023. With regard to the outlook of the Volkswagen Group, please refer to the section "Anticipated development of the Volkswagen Group". The status of the legal risks at the level of the Volkswagen Group was also updated in the interim management report of the Volkswagen Group. Beyond these events, according to the explanations in Volkswagen's interim management report there were no significant changes 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. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects; risks are associated in particular with the Russia-Ukraine conflict and the confrontations in the Middle East. Furthermore, 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, but with below-average growth in gross domestic product.

The Volkswagen Group anticipates that, amid challenging market conditions, deliveries to customers in 2023 will stand between 9 million and 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 result to be around the level of the prior year before special items (€22.5 billion). 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 6.5% and 7.5%. For the commercial vehicles business area, it 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 noticeably above the prior-year figure and the operating result to be in the mid triple-digit million euro range. For the financial services division, it forecasts a significant increase in revenue compared with the prior year and an operating result of around €4 billion.

For the fiscal year 2023, the Porsche AG Group continues to expect 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 persistently high inflation, geopolitical tensions potentially intensifying, protectionist tendencies, structural deficits of individual advanced economies, the economic situation, turbulence in the financial, commodity, energy and foreign exchange markets, supply shortages, the increasing intensity of competition, a failure to contain the Covid-19 pandemic in a lasting way, more stringent emissions-related requirements 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. On 20 October 2023, Porsche SE announced that the group result after tax would be expected to be in the lower half of this range.

As of 30 September 2023, the net liquidity of the Porsche SE Group improved to minus €5.8 billion compared to 31 December 2022. In light of this, the Porsche SE Group expects net liquidity at year-end to be in the upper half of the forecast range of minus €6.1 billion to minus €5.6 billion.

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.

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 2.0l 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 3.0l diesel engines. In this regard, numerous judicial and regulatory proceedings were subsequently initiated in various countries.

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.

Research and development ratio

The research and development ratio ("R&D ratio") in the Volkswagen Group's automotive division shows total research and development costs in relation to revenue. Research and development costs comprise a range of expenses, from futurology through to the development of marketable products of the Volkswagen Group. Particular emphasis is placed on the environmentally friendly orientation of the product portfolio. The R&D ratio underscores the efforts made to ensure the company's future viability: the goal of competitive profitability geared to sustainable growth.

Net cash flow

Net cash flow in the Volkswagen Group's automotive division represents the excess funds from operating activities available for dividend payments, for example. It is calculated as cash flows from operating activities less cash flows from investing activities attributable to operating activities.

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.

Plug-in hybrid

Performance levels of hybrid vehicles. Plug-in hybrid electric vehicles (PHEVs) have a larger battery with a correspondingly higher capacity that can be charged via the combustion engine, the brake system, or an electrical outlet. This increases the range of the vehicle.

Ratio of capex to revenue

The ratio of capex to revenue in the Volkswagen Group's automotive division reflects both its innovative power and its future competitiveness. It shows its capital expenditure – largely for modernizing and expanding its product range and for environmentally friendly drivetrains, as well as for adjusting the production capacity and improving production processes – in relation to the revenue of the Volkswagen Group's automotive division.

Selected financial information

Consolidated income statement of Porsche Automobil Holding SE for the period from 1 January to 30 September 2023

€ million	Jan. - Sep. 2023	Jan. - Sep. 2022
Result from investments accounted for at equity	3,828	4,450[1]
Income from investment valuation	1	12
Expenses from investment valuation	–7	–8
Result from investments	**3,823**	**4,453[1]**
Other operating income	220	178
Personnel expenses	–13	–11
Amortization and depreciation	0	0
Other operating expenses	–14	–17
Result before financial result	**4,015**	**4,603[1]**
Finance costs	–221	–3
Other financial result	13	–1
Financial result	**–207**	**–4**
Result before tax	**3,808**	**4,599[1]**
Income taxes	–7	56[1]
Result after tax from continuing operations	**3,801**	**4,654[1]**
Result after tax from discontinued operations		96
Result after tax	**3,801**	**4,751[1]**

Consolidated statement of comprehensive income of Porsche Automobil Holding SE for the period from 1 January to 30 September 2023

€ million	Jan. - Sep. 2023	Jan. - Sep. 2022
Result after tax	**3,801**	**4,751[1]**
Other comprehensive income after tax	339	4,625[1]
Total comprehensive income	**4,140**	**9,376[1]**
from continuing operations	4,140	9,279[1]
from discontinued operations		96

[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 balance sheet of Porsche Automobil Holding SE as of 30 September 2023

€ million	**30/09/2023**	31/12/2022
Assets		
Intangible assets	0	0
Property, plant and equipment	1	1
Investments accounted for at equity	61,229	58,545[1]
Other financial assets	154	204
Other assets	0	0
Non-current assets	**61,384**	**58,750[1]**
Other financial assets	220	25
Other assets	1	1
Income tax receivables	1	316
Securities	123	70
Time deposits	310	265
Cash and cash equivalents	397	86
Current assets	**1,053**	**762**
	62,437	**59,512[1]**
Equity and liabilities		
Subscribed capital	306	306
Capital reserves	4,884	4,884
Retained earnings	49,502	46,476[1]
Other reserves (OCI)	802	473[1]
Equity	**55,494**	**52,139[1]**
Provisions for pensions and similar obligations	29	27
Other provisions	24	27
Financial liabilities	6,615	3,152
Other financial liabilities	1	
Deferred tax liabilities	192	176[1]
Non-current liabilities	**6,860**	**3,382[1]**
Provisions for pensions and similar obligations	1	1
Other provisions	18	29
Trade payables	1	4
Financial liabilities	52	3,941
Other financial liabilities	1	1
Other liabilities	4	5
Income tax liabilities	8	10
Current liabilities	**83**	**3,991**
	62,437	**59,512[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 30 September 2023

€ million	**Jan. - Sep. 2023**	Jan. - Sep. 2022
1. Operating activities		
Result after tax	3,801	4,751[1]
Result after tax from discontinued operations		–96
Result from investments	–3,823	–4,453
Amortization and depreciation	0	0
Interest expense	221	4
Interest income	–13	–1
Income tax expense/income	7	–56[1]
Other non-cash expenses (+) and income (-)	0	–176[1]
Change in other assets	–212	–6
Change in provisions for pensions	0	0
Change in other provisions	–13	–5
Change in other liabilities	–5	4
Dividends received	1,529	884
Payments received in connection with the termination of derivative contracts	97	
Interest paid	–222	–10
Interest received	9	1
Income tax received	316	0
Cash flow from operating activities	**1,693**	**841**
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		201
Cash paid for the acquisition of shares in investments accounted for at equity	–15	–437
Cash paid for the acquisition of other shares in entities	–46	–14
Cash received from the disposal of other shares in entities		2
Change in investments in securities	–53	115
Change in investments in time deposits	–45	20
Cash flow from investing activities	**–159**	**–115**
3. Financing activities		
Dividends paid to shareholders of Porsche SE	–783	–783
Cash received from raising financial liabilities	4,711	
Cash paid for settlement of financial liabilities	–5,150	
Cash flow from financing activities	**–1,222**	**–783**
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)	312	–56
Cash and cash equivalents as of 30 September	**397**	**240**

[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”.

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