PORSCHE SE

Annual Report

2022

Figures

Porsche SE Group		2022 IFRS	2021 IFRS	2020 IFRS
Total assets	€ million	58,786	42,533	36,250
Equity	€ million	51,417	42,196	35,946
Investments accounted for at equity	€ million	57,506	41,527	35,259
Investment result	€ million	4,555	4,615	2,700
Financial result	€ million	–57	–7	–4
Result before tax	€ million	4,634	4,565	2,654
Result after tax from continuing operations	€ million	4,690	4,563	2,630
Result after tax	€ million	4,787	4,566	2,624
Earnings per ordinary share[1]	€	15.31	14.90	8.59
Earnings per preference share[1]	€	15.32	14.90	8.59
Net liquidity	€ million	–6,672	641	563
Employees as of 31 December		38	882	916

Porsche SE		2022 HGB	2021 HGB	2020 HGB
Net profit	€ million	4,104	824	703
Net profit available for distribution	€ million	2,052	783	676
Dividend per ordinary share	€	2.554[2]	2.554	2.204
Dividend per preference share	€	2.560[2]	2.560	2.210

[1] From continuing operations, basic and diluted
[2] Proposal to the annual general meeting of Porsche SE

PORSCHE AUTOMOBIL HOLDING SE

Core investments

Stake of ordinary shares: 53.3 %
(Represents a stake of subscribed capital: 31.9 %)

VOLKSWAGEN
AKTIENGESELLSCHAFT

Stake of ordinary shares: 25 % plus one ordinary share
(Represents a stake of subscribed capital: 12.5 %)

PORSCHE

Portfolio investments

European Transport Solutions S.à r.l.

Stake of subscribed capital: 35.5 %

Umovity
Mobility for Humanity

PTV LOGISTICS

AEVA

AURORALABS

INRIX

isar aerospace

Markforged

proteanTecs

SEURAT

XANADU

Status 31 December 2022


PORSCHE

“Thanks to our two core investments and

the promising portfolio investments, Porsche SE

is in an excellent position. The board of management

is convinced that our investment strategy will

allow us to achieve a substantial increase in value

for our shareholders.”

Hans Dieter Pötsch

2022

Contents

To our shareholders

1
To our shareholders

Letter to our shareholders

Dear shareholders,

Our company, Porsche SE, is looking back on a successful fiscal year 2022. The highlight of the year was without a doubt the acquisition of 25% plus one share of the ordinary shares of Porsche AG. With this investment, we added to our portfolio a company with strong growth and high dividends that is uniquely positioned in the sport and luxury segments of the automotive industry. Porsche SE has thus obtained a second core investment alongside the voting majority in its core investment Volkswagen AG and a portfolio of innovative technology companies, creating sustainable value for our shareholders.

The earnings figures of Porsche SE for the fiscal year 2022 are also very encouraging. We raised our group result after tax to 4.8 billion euro (prior year: 4.6 billion euro). This group result after tax was significantly influenced by the result of our core investment in Volkswagen AG accounted for at equity of 4.5 billion euro. Overall, the Volkswagen Group developed positively, despite the lingering consequences of the Covid-19 pandemic, the war against Ukraine, supply chain problems and inflation. Porsche AG also closed the fiscal year 2022 very successfully. Following the acquisition of ordinary shares in Porsche AG, the result of the Porsche SE Group will be more strongly influenced in the future by the earnings situation of the Porsche AG Group.

Net liquidity of the Porsche SE Group amounted to minus 6.7 billion euro as of 31 December 2022, compared to 641 million euro at the end of 2021. This primarily reflects the roughly 7.1 billion euro in debt capital we borrowed to purchase the ordinary shares in Porsche AG. I firmly believe: The acquisition of this second core investment is a very important step for our company towards creating sustainable value.

With our portfolio investments, we are systematically implementing our strategy and have joined forces with strong partners to drive forward the development of our investments. Our holding in PTV is a good example of this. Together with our partner Bridgepoint, we have strengthened the product portfolio of the company by purchasing further assets. Moreover, the strategic realignment of the mobility and logistics divisions has created the basis for future growth.

We plan to expand our portfolio activity in the current fiscal year by identifying further promising companies. At the beginning of 2023, we were already able to bolster our portfolio with new investments. These include, for example, our stake in ABB E-mobility, one of the world's leading providers of charging solutions for electric vehicles.

Hans Dieter Pötsch
Chairman of the board
of management

On the legal side of things, we were able to achieve two more major successes. In the model case in connection with Porsche SE's increase of the investment in Volkswagen AG, the Higher Regional Court of Celle dismissed all of the establishment objectives brought by the plaintiffs against our company at the end of September. This decision marks an important stage win for Porsche SE, even though the plaintiffs have filed an appeal against the decision with the Federal Court of Justice.

In the proceedings relating to the diesel issue, Porsche SE likewise prevailed in an appeal proceeding: In April 2022, the Higher Regional Court of Stuttgart dismissed actions against Porsche SE of 158 million euro on the grounds that the plaintiffs had not suffered any damage. This decision is legally binding.

For the fiscal year 2023, we expect Porsche SE to record a group result after tax of between 4.5 billion euro and 6.5 billion euro. We also aim to achieve group net liquidity as of 31 December 2023 that is expected to be between minus 6.1 billion euro and minus 5.6 billion euro, not taking future investments and divestitures into account.

Despite the debt situation, Porsche SE continues to pursue a stable dividend policy. A large portion of our dividends will continue to be used to allow our shareholders to participate appropriately in Porsche SE's success. At the same time, we will systematically repay our loans.

As in prior years, the board of management would like you, our shareholders, to share in our company's success. For the fiscal year 2022, we propose an unchanged dividend compared to the prior year of 2.560 euro per share to be distributed to the holders of preference shares and of 2.554 euro per share to the holders of ordinary shares. This is equivalent to a total distribution of around 783 million euro.

Thanks to our two core investments and the promising portfolio investments, Porsche SE is in an excellent position. The board of management is convinced that our investment strategy will allow us to achieve a substantial increase in value for our shareholders. We are working on ensuring that this is reflected in the development of our share price. And we continue to count on your trust and support.

Hans Dieter Pötsch

Company boards of Porsche Automobil Holding SE and their appointments

Members of the supervisory board

Dr. Wolfgang Porsche
Chairman

Chairman of the supervisory board of Dr. Ing. h.c. F. Porsche AG

Appointments:
- ● AUDI AG, Ingolstadt
- ● Dr. Ing. h.c. F. Porsche AG, Stuttgart (chairman)[1]
- ● Volkswagen AG, Wolfsburg[1]
- o Familie Porsche AG Beteiligungsgesellschaft, Salzburg (chairman)
- o Porsche Holding Gesellschaft m.b.H., Salzburg
- o Schmittenhöhebahn AG, Zell am See

Dr. Hans Michel Piëch
Deputy chairman

Member of the supervisory board of Volkswagen AG

Appointments:
- ● AUDI AG, Ingolstadt
- ● Dr. Ing. h.c. F. Porsche AG, Stuttgart[1]
- ● Volkswagen AG, Wolfsburg[1]
- o Porsche Holding Gesellschaft m.b.H., Salzburg
- o Schmittenhöhebahn AG, Zell am See
- o Volksoper Wien GmbH, Vienna (until 21 June 2022)

● Membership in German statutory supervisory boards
o Comparable appointments in Germany and abroad
[1] Listed company

All appointments are outside the Group.

Appointments as of 31 December 2022

Prof. Dr. Ulrich Lehner
Member of the supervisory board
of Porsche Automobil Holding SE

Appointments:
- ● Deutsche Telekom AG, Bonn (chairman) (until 7 April 2022)[1]

Mag. Josef Michael Ahorner
Member of the supervisory board of AUDI AG

Appointments:
- ● AUDI AG, Ingolstadt
- o Automobili Lamborghini S.p.A., Sant'Agata Bolognese

Dr. Ferdinand Oliver Porsche
Member of the board of management of
Familie Porsche AG Beteiligungsgesellschaft

Appointments:
- ● AUDI AG, Ingolstadt
- ● Dr. Ing. h.c. F. Porsche AG, Stuttgart[1]
- ● Volkswagen AG, Wolfsburg[1]
- o Porsche Holding Gesellschaft m.b.H., Salzburg
- o Porsche Lifestyle GmbH & Co. KG, Ludwigsburg

Mag. Marianne Heiß
Chief Executive Officer
of BBDO Group Germany GmbH

Appointments:
- ● AUDI AG, Ingolstadt
- ● Volkswagen AG, Wolfsburg[1]

● Membership in German statutory supervisory boards
o Comparable appointments in Germany and abroad
[1] Listed company

All appointments are outside the Group.

Appointments as of 31 December 2022

Dr. Günther Horvath
Managing director and self-employed attorney at Dr. Günther J. Horvath Rechtsanwalt GmbH

Appointments:
- ● Volkswagen AG, Wolfsburg (since 28 February 2023)[1]

Dr. Stefan Piëch
Member of the board of management of Your Family Entertainment AG

Appointments:
- o Genius Brands International, Inc., Los Angeles (since 23 June 2022)[1]
- o SEAT S.A., Barcelona
- o Siemens Aktiengesellschaft Österreich, Vienna

Peter Daniell Porsche
Member of the supervisory board of Porsche Automobil Holding SE as well as member of additional control bodies of domestic and foreign commercial enterprises

Appointments:
- o Porsche Holding Gesellschaft m.b.H., Salzburg
- o Porsche Lifestyle GmbH & Co. KG, Ludwigsburg
- o ŠKODA AUTO a.s., Mladá Boleslav

Prof. TU Graz e.h. KR Ing. Siegfried Wolf
Member of the supervisory board of Schaeffler AG as well as member of additional control bodies of domestic and foreign commercial enterprises

Appointments:
- ● Schaeffler AG, Herzogenaurach[1]
- ● Vitesco Technologies Group AG, Regensburg (chairman)[1]
- o MIBA AG, Mitterbauer Beteiligungs AG, Laakirchen (in accordance with Sec. 28a (5) No. 5 Austrian Banking Act a position on the supervisory board)
- o PJSC GAZ Group, Nizhny Novgorod (until 31 December 2022)[1]
- o Sberbank Europe AG, Vienna (chairman) (until 21 April 2022)
- o Steyr Automotive GmbH, Steyr (chairman)

● Membership in German statutory supervisory boards
o Comparable appointments in Germany and abroad
[1] Listed company

All appointments are outside the Group.

Appointments as of 31 December 2022

Current committees of the supervisory board of Porsche Automobil Holding SE and their members

Executive committee:
- Dr. Wolfgang Porsche (chairman)
- Dr. Hans Michel Piëch
- Dr. Ferdinand Oliver Porsche

Audit committee:
- Prof. Dr. Ulrich Lehner (chairman)
- Dr. Hans Michel Piëch
- Dr. Ferdinand Oliver Porsche

Nominations committee:
- Dr. Wolfgang Porsche (chairman)
- Dr. Hans Michel Piëch
- Dr. Ferdinand Oliver Porsche

Phoenix committee (since 13 May 2022):
- Dr. Ferdinand Oliver Porsche (chairman)
- Dr. Günther Horvath
- Dr. Hans Michel Piëch
- Dr. Stefan Piëch
- Dr. Wolfgang Porsche

Members of the board of management

Hans Dieter Pötsch
Chairman of the board of management
of Porsche Automobil Holding SE

Chairman of the supervisory board
of Volkswagen AG

Appointments:
- ● AUDI AG, Ingolstadt
- ● Bertelsmann Management SE, Gütersloh
- ● Bertelsmann SE & Co. KGaA, Gütersloh
- ● Dr. Ing. h.c. F. Porsche AG, Stuttgart[1]
- ● TRATON SE, Munich (chairman)[1]
- ● Volkswagen AG, Wolfsburg (chairman)[1]
- ● Wolfsburg AG, Wolfsburg
- o Autostadt GmbH, Wolfsburg
- o Porsche Austria Gesellschaft m.b.H., Salzburg (chairman)
- o Porsche Holding Gesellschaft m.b.H., Salzburg (chairman)
- o Porsche Retail GmbH, Salzburg (chairman)
- o VfL Wolfsburg-Fußball GmbH, Wolfsburg (deputy chairman)

Dr. Manfred Döss
Member of the board of management
responsible for legal affairs and compliance
of Porsche Automobil Holding SE

Member of the board of management responsible
for integrity and legal affairs of Volkswagen AG

Appointments:
- ● AUDI AG, Ingolstadt (since 2 September 2022)
- ● PTV Planung Transport Verkehr GmbH, Karlsruhe (until 20 February 2022) (PTV Planung Transport Verkehr AG until 20 February 2022)
- ● TRATON SE, Munich[1]
- o Grizzlys Wolfsburg GmbH, Wolfsburg

● Membership in German statutory supervisory boards
o Comparable appointments in Germany and abroad
[1] Listed company

All appointments are outside the Group.

Appointments as of 31 December 2022

Dr. Johannes Lattwein (since 1 February 2022)
Member of the board of management
responsible for finance and IT
of Porsche Automobil Holding SE

Appointments:

- ● PTV Planung Transport Verkehr GmbH, Karlsruhe (until 20 February 2022) (PTV Planung Transport Verkehr AG until 20 February 2022)
- o European Transport Solutions S.à r.l., Luxembourg (since 1 February 2022)

● Membership in German statutory supervisory boards
o Comparable appointments in Germany and abroad
[1] Listed company

All appointments are outside the Group.

Appointments as of 31 December 2022

Lutz Meschke
Member of the board of management
responsible for investment management
of Porsche Automobil Holding SE

Deputy chairman of the board of management and member of the board of management responsible for finance and IT of Dr. Ing. h.c. F. Porsche AG

Appointments:

- ● Porsche Leipzig GmbH, Leipzig
- ● PTV Planung Transport Verkehr GmbH, Karlsruhe (chairman) (until 20. Februar 2022) (PTV Planung Transport Verkehr AG until 20 February 2022)
- ● Volkswagen Bank GmbH, Braunschweig (until 5 March 2022)
- o Bugatti Rimac d.o.o., Sveta Nedelja (until 8 December 2022)
- o European Transport Solutions S.à r.l., Luxembourg (since 1 February 2022)
- o MHP Management und IT-Beratung GmbH, Ludwigsburg (chairman)
- o Porsche Consulting GmbH, Bietigheim-Bissingen (chairman since 1 September 2022)
- o Porsche Deutschland GmbH, Bietigheim-Bissingen
- o Porsche Digital GmbH, Ludwigsburg (chairman)
- o Porsche eBike Performance GmbH, Ottobrunn (chairman) (since 1 June 2022) (Fazua GmbH until 31 July 2022)
- o Porsche Engineering Group GmbH, Weissach
- o Porsche Engineering Services GmbH, Bietigheim-Bissingen
- o Porsche Enterprises Inc., Atlanta
- o Porsche Financial Services GmbH, Bietigheim-Bissingen (chairman)
- o Porsche Lifestyle GmbH & Co. KG, Ludwigsburg (chairman)
- o Porsche Werkzeugbau GmbH, Schwarzenberg
- o P3X GmbH & Co. KG, Munich (since 1 March 2022)
- o Rimac Group d.o.o., Sveta Nedelja (since 9 September 2022)

Board of management

Hans Dieter Pötsch
Chairman of the board of management

Dr. Manfred Döss
Legal affairs and compliance

Dr. Johannes Lattwein
Finance and IT

Lutz Meschke
Investment management

Report of the supervisory board

Ladies and gentlemen,

Porsche Automobil Holding SE, Stuttgart (“Porsche SE”), is a holding company with investments in the mobility and industrial technology sector, whose preference shares are listed on the German stock exchange index (DAX). The investment strategy of Porsche SE aims in particular to create sustainable value for its shareholders. The investments of Porsche SE fall into the categories core investments and portfolio investments.

As the most important core investment, Porsche SE holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft, Wolfsburg (“Volkswagen AG” or “Volkswagen”) with 53.3%. Porsche SE sees itself as a long-term oriented anchor investor in Volkswagen AG. In the past fiscal year, Volkswagen continued to drive forward its transformation into a software-driven mobility provider. The transition to e-mobility and autonomous driving will also be a key strategic topic in the future. Porsche SE supports this strategy. We are convinced that the Volkswagen Group will play a leading role in the transformation of the automotive industry and that it has vast potential for value creation.

As a second core investment, Porsche SE acquired 25% plus one share of the ordinary shares of Dr. Ing. h.c. F. Porsche AG, Stuttgart (“Porsche AG”), in the course of the IPO of Porsche AG in the fiscal year 2022. With this investment in Porsche AG, Porsche SE has added a company with strong growth and high dividends and a unique position in the sport and luxury segments of the automotive industry to its investment portfolio.

In the portfolio investments category, Porsche SE holds non-controlling interests in more than ten companies with a focus on mobility and industrial technology in North America, Europe and Israel.

Tasks of the supervisory board

Pursuant to the articles of association, the supervisory board has ten members (shareholder representatives) to be appointed by the annual general meeting. The composition of the supervisory board can be found in the section “Company boards of Porsche Automobil Holding SE and their appointments” of the annual report of Porsche SE.

In the fiscal year 2022, the supervisory board of Porsche SE performed all the tasks assigned to it by law, the articles of association and rules of procedure. During the fiscal year 2022, the supervisory board held five ordinary meetings and nine extraordinary meetings. The ordinary meetings, including the

Dr. Wolfgang Porsche
Chairman of the supervisory board

constituent meeting, took place in March, May, September and December. The extraordinary meetings were held in January, February, June, July, August and September. The supervisory board's extraordinary meetings mainly related to the IPO of Porsche AG and the associated acquisition of ordinary shares in Porsche AG by Porsche SE ("Project Phoenix"). On account of the Covid-19 pandemic, nine meetings were held as video conferences and five were held in person, with the supervisory board members who were not present on premise participating via video link.

Individual resolutions of the supervisory board were passed by way of circular resolutions. These included in particular resolutions in connection with the acquisition of shares in Econolite Group, Inc., Anaheim, California, USA, the acquisition of additional preference shares in Volkswagen and the acquisition of shares in ABB E-mobility Holding AG, Baden, Switzerland ("ABB E-mobility").

Within the framework of its control and advisory responsibilities, the supervisory board was informed in depth about company's performance during the fiscal year 2022 by means of written reports from the board of management as well as verbally in meetings, and was also involved in all fundamental decisions. Reporting focused on Porsche SE's economic situation and its investments (in particular Volkswagen AG), business results, the development of net assets, financial position and results of operations and the risk situation. As part of Project Phoenix, the board of management and supervisory board regularly exchanged detailed information about the current status and the latest developments, particularly with regard to the contracts to be entered into and the financial consequences for Porsche SE.

The supervisory board also monitored the economic efficiency of the company. Furthermore, the supervisory board reviewed the annual and consolidated financial statements each supplemented by the combined management report and group management report ("combined management report") issued with unqualified auditor's reports, ratified the 2021 annual financial statements of Porsche SE and approved the 2021 consolidated financial statements of Porsche SE. The supervisory board also reviewed the non-financial group report and the dependent company report; here too, no objections were raised.

In the fiscal year 2022, the supervisory board dealt in particular with the IPO of Porsche AG and the associated acquisition of ordinary shares in Porsche AG as part of Project Phoenix. In connection with this, the supervisory board approved a cornerstone agreement dated 24 February 2022 between Porsche SE and Volkswagen AG. This laid the foundation for the next steps in preparation for a possible IPO by

Porsche AG and a possible acquisition of the ordinary shares in Porsche AG by Porsche SE. Furthermore, the supervisory board was regularly informed by the board of management about the project status, further planning and the status of the due diligence, draft contracts and the financing of the share acquisition. After examining the content of all contracts related to Project Phoenix in detail, weighing up all the information and taking the regulations on transactions with related parties pursuant to the German Stock Corporation Act (AktG) into account, on 18 September 2022 the supervisory board approved the conclusion of a contract for the acquisition of 25% plus one share of the ordinary shares of Porsche AG by Porsche SE as well as a shareholder agreement with Volkswagen AG and other contracts in connection with the acquisition of ordinary shares by Porsche SE.

Another focus of the supervisory board's monitoring activities in the past fiscal year related to the development and status of the various legal disputes (especially the claims for damages concerning the increase of the investment in Volkswagen AG in 2008 and the diesel issue as well as the status proceedings under German stock corporation law), on which the supervisory board obtained regular reports.

The supervisory board also dealt with the impact of the Covid-19 pandemic, the Russia-Ukraine war, price increases on the energy and commodity markets and the parts supply shortages, especially for wire harnesses and semiconductors, on the business operations of Porsche SE and its investments, and regularly had the board of management inform it about any developments.

The supervisory board also discussed the business plan. Furthermore, the supervisory board also monitored the compliant conduct of business by the board of management. Monitoring also encompassed appropriate measures for risk provisioning and compliance. The supervisory board checked that the board of management carried out the measures for which it is responsible in accordance with Sec. 91 (2) and (3) AktG in an appropriate form, in particular whether the board of management has set up a monitoring system that aims to ensure that any developments jeopardizing the ability of the company to continue as a going concern are identified at an early stage, and whether the board of management has set up internal control and risk management systems that are appropriate and effective with regard to the scope of the business activities and risk situation of the company.

The supervisory board also dealt extensively with the recommendations and suggestions of the German Corporate Governance Code in the version from 28 April 2022 and the associated impact on the working methods and composition of the supervisory board and its committees, especially the audit committee. In this context, the supervisory board in particular supplemented the requirements profile for the supervisory board, which includes both the competence profile and the diversity concept, and added expertise in sustainability issues of importance for the company as an additional criterion.

In performing its duties, the supervisory board also took into account ESG aspects (Environmental, Social and Governance), as the supervisory board considers these to be particularly relevant for the business activity of Porsche SE. Mag. Marianne Heiß was therefore designated by the supervisory board as ESG expert on the supervisory board. Furthermore, the supervisory board discussed the investment strategy as a key element of the corporate strategy, which also includes ESG aspects, particularly in connection with the holding operations and for investment decisions. In line with the provisions of the remuneration system for the board of management, the supervisory board also included in its target agreements for variable board of management remuneration for the fiscal year 2023, among other things, the promotion of ESG aspects (e.g., employee interests and compliance) as a general performance target, supplemented by individual ESG targets (e.g., employee retention in the respective board portfolio) and, also for the fiscal year 2023, the further development of the corporate strategy to include sustainability-related topics, the improvement of Porsche SE's ESG rating and the anchoring of ESG criteria in the investment process).

As a matter of principle, the members of the supervisory board take responsibility for obtaining the training required for their tasks and are supported in this by Porsche SE. In addition, Porsche SE arranged for its supervisory board members to attend training in the fiscal year 2022 on relevant topics for supervisory board members and current legal developments.

The supervisory board also resolved to carry out a selection procedure within the meaning of Art. 16 (3) Regulation (EU) No. 537/2014 for the appointment of the future auditor of the annual financial statements and auditor of the consolidated financial statements for the fiscal year 2023 and the auditor for the review of the interim consolidated financial statements and the interim group management report as components of the half-yearly financial report as of 30 June 2023. This selection procedure was led by the audit committee. After this procedure, the audit committee submitted two well-founded suggestions for the auditor to the supervisory board. These were Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf ("Grant Thornton AG"), and BDO AG Wirtschaftsprüfungsgesellschaft, Stuttgart. Giving reasons, it expressed a preference for Grant Thornton AG. Based on this recommendation, the supervisory board resolved to propose Grant Thornton AG as the new auditor to the annual general meeting.

As certain matters are determined by the supervisory board to be subject to its approval, it also discussed in particular the acquisition of ordinary shares of Porsche AG in connection with Project Phoenix, the acquisition of preference shares of Volkswagen AG, the acquisition of shares in ABB E-mobility and the voting behavior of Porsche SE at the annual general meeting of Volkswagen AG. It approved all of these matters that are subject to its approval.

Disclosure of attendance at meetings of the entire supervisory board in the fiscal year 2022:

2022	Meeting attendance	Attendance %	Type of participation attendance	
			In person	Video
Full supervisory board				
Dr. Wolfgang Porsche (chairman)	14/14	100	8	6
Dr. Hans Michel Piëch (deputy chairman)	14/14	100	4	10
Mag. Josef Michael Ahorner	14/14	100	0	14
Mag. Marianne Heiß	7/14	50[1]	3	4
Dr. Günther Horvath	13/14	93	6	7
Prof. Dr. Ulrich Lehner	14/14	100	7	7
Dr. Stefan Piëch	13/14	93	7	6
Dr. Ferdinand Oliver Porsche	14/14	100	7	7
Peter Daniell Porsche	14/14	100	5	9
Prof. KR Ing. Siegfried Wolf	11/14	79	3	8

[1] Mag. Heiß did not attend seven extraordinary supervisory board meetings of Porsche SE that exclusively addressed Project Phoenix. This was because of her position on the supervisory board of Volkswagen AG. She only participated in the discussions and resolutions in connection with Project Phoenix on the side of the supervisory board of Volkswagen AG. More information on the topic of conflicts of interest can be found in the "Corporate governance" section below

Committees

The supervisory board has set up a total of four committees to carry out its duties. As before, the standing committees were the executive committee, audit committee and nominations committee. In view of the particular importance of Project Phoenix, the supervisory board formed and appointed members to a temporary ad hoc committee, entitled the Phoenix committee, at its constituent meeting on 13 May 2022.

At the constituent meeting of the supervisory board, it reappointed the current members of the executive committee, audit committee and nominations committee in the same composition. The committees support the supervisory board and prepare supervisory board resolutions as well as topics for discussion by the entire supervisory board. Moreover, decision-making authority of the supervisory board may be transferred to the individual committees to the extent permitted by law.

The executive committee decides in urgent cases on business matters requiring the approval of the supervisory board. It also functions as a personnel committee and makes recommendations to the supervisory board on concluding, amending and terminating contracts of employment for members of the board of management.

At the recommendation of the executive committee, Dr. Johannes Lattwein was appointed by the supervisory board in January 2022 as a new member of the board of management responsible for finance and IT for a period of three years effective 1 February 2022. Taking the appointment of Dr. Johannes Lattwein in the fiscal year 2022 into account, the executive committee also discussed the long-term succession planning in the board of management.

In addition, the executive committee draws up a proposal for the individual amount of the variable remuneration for each completed fiscal year, taking into account the respective business and earnings situation and based on the specific performance of the individual member of the board of management. This proposal is submitted to the supervisory board of Porsche SE for decision. Furthermore, the executive committee is responsible for the approval of ancillary activities of members of the board of management and prepares resolutions of the supervisory board on the remuneration system for the board of management as well as its regular review.

The audit committee supports the supervisory board in monitoring management of the company and pays particular attention to reviewing financial reporting, monitoring the financial reporting process, the effectiveness of the internal control system, the risk management system and internal audit, the statutory audit, in particular the selection and independence of the auditor, the quality of the audit and the services rendered by the auditor as well as compliance. In the past fiscal year, the audit committee regularly reviewed whether the risk early warning system in place is suitable for identifying at an early stage any developments jeopardizing the ability of the company to continue as a going concern. It satisfied itself as to the efficiency of the risk management system, including the internal control system, as well as the activities of internal audit and obtained regular reports on these. The audit committee was informed about changes in legal requirements and auditing standards. The audit committee passed its findings on to the entire supervisory board in regular reports.

The audit committee's review of accounting relates in particular to the annual and consolidated financial statements each supplemented by the combined management report. The audit committee deals with the half-yearly financial report and the group quarterly statements for the supervisory board and discusses them with the board of management and, in the case of the half-yearly financial report, also with the independent auditor. The audit committee also focuses on the non-financial group report, the dependent company report and the proposal for profit appropriation and prepares them for review by the supervisory board.

In connection with the audit, the audit committee submits to the supervisory board a recommendation for the appointment of the auditor, which – except in cases where the auditor is reappointed – is prepared following a selection procedure within the meaning of Art. 16 (3) Regulation (EU) No 537/2014, comprises at least two candidates and is explained. The audit committee recommended Grant Thornton AG and BDO AG Wirtschaftsprüfungsgesellschaft, Stuttgart, to the supervisory board for the appointment of the auditor, and indicated and explained a preference for Grant Thornton AG. Before submitting its recommendation to the supervisory board, the audit committee carefully examined the independence of the potential new auditor.

In addition, the audit committee constantly monitors the independence of the auditor and in particular ensures that the auditor's non-audit services assigned by the board of management do not give rise to any indications of grounds for exclusion or disqualification or that endanger the independence of the auditor. The audit committee is authorized on behalf of the supervisory board to award the audit engagement to the auditor selected by the annual general meeting, to agree on the fee with the auditor and to determine the key topics of the audit. It also examines the key audit matters and regularly assesses the quality of the audit.

The nominations committee makes recommendations for the supervisory board’s proposals to the annual general meeting concerning the election of supervisory board members.

At the beginning of the fiscal year 2022, the nominations committee discussed the succession planning for the chairman of the supervisory board, Dr. Wolfgang Porsche, and for the other members of the supervisory board, Dr. Hans Michel Piëch, Prof. Dr. Ulrich Lehner and Dr. Ferdinand Oliver Porsche, as the term of office of the respective members of the supervisory board ended after the annual general meeting on 13 May 2022. As these members of the supervisory board are great assets to Porsche SE and the supervisory board because their many years of service on the supervisory board, their extensive experience in multiple supervisory bodies and their professional expertise, the nominations committee recommended to the supervisory board that it propose to the annual general meeting on 13 May 2022 to re-elect Dr. Wolfgang Porsche, Dr. Hans Michel Piëch, Prof. Dr. Ulrich Lehner and Dr. Ferdinand Oliver Porsche as members of the supervisory board.

In May 2022, the supervisory board set up the Phoenix committee as a temporary ad hoc committee at its constituent meeting. The Phoenix committee assumes the task of monitoring the board of management on matters relating to Project Phoenix for the supervisory board and consulted regularly with it. The Phoenix committee is authorized to make decisions promoting the project to the extent permissible by law as a preparatory committee. With this authorization, it submitted recommendations relating to the approval of measures taken within the project to the supervisory board.

At its meetings, the Phoenix committee primarily addressed the current project status and the new developments in Project Phoenix; in particular the board of management reported in detail in these meetings on the current status of negotiations and draft contracts, the ongoing due diligence review and the status of financing.

The composition of the individual committees of the supervisory board is described in more detail in the section “Company boards of Porsche Automobil Holding SE and their appointments” of the annual report and also in the corporate governance declaration of compliance, published on the company’s website.

The executive committee and the audit committee each held four ordinary meetings and two extraordinary meetings in the fiscal year 2022. For both the executive committee and the audit committee, five of these meetings were held in person and one as a video conference. The two extraordinary meetings of the audit committee were held in connection with the audit tender for the fiscal year 2023. The chairman of the supervisory board Dr. Wolfgang Porsche attended these two extraordinary meetings and one additional ordinary meeting of the audit committee as a guest. The nominations committee held one ordinary meeting in the fiscal year 2022. The Phoenix committee held 16 ordinary meetings in the fiscal year 2022, four of which were held in person and twelve as video conferences. The entire supervisory board was always informed about the work of the committees.

Disclosure of attendance at meetings of the committees in the fiscal year 2022:

2022	Meeting attendance	Attendance %	Type of participation attendance	
			In person	Video
Executive committee				
Dr. Wolfgang Porsche (chairman)	6/6	100	5	1
Dr. Hans Michel Piëch	6/6	100	2	4
Dr. Ferdinand Oliver Porsche	6/6	100	4	2
Audit committee				
Prof. Dr. Ulrich Lehner (chairman)	6/6	100	5	1
Dr. Hans Michel Piëch	6/6	100	2	4
Dr. Ferdinand Oliver Porsche	6/6	100	4	2
Nominations committee				
Dr. Wolfgang Porsche (chairman)	1/1	100	1	0
Dr. Hans Michel Piëch	1/1	100	0	1
Dr. Ferdinand Oliver Porsche	1/1	100	1	0
Phoenix committee				
Dr. Ferdinand Oliver Porsche (chairman)	15/16	94	4	11
Dr. Günther Horvath	15/16	94	3	12
Dr. Hans Michel Piëch	16/16	100	3	13
Dr. Stefan Piëch	15/16	94	4	11
Dr. Wolfgang Porsche	15/16	94	3	12

Cooperation with the board of management

The chairman of the supervisory board and the chairman of the audit committee were in regular contact with the board of management to exchange ideas and information, thus ensuring that they were kept directly informed about significant events and developments of the company and the group.

The supervisory board gave its approval as required for individual transactions, such as in particular the acquisition of ordinary shares of Porsche AG, the acquisition of preference shares of Volkswagen AG, the acquisition of shares in ABB E-mobility and the voting behavior of Porsche SE at the annual general meeting of Volkswagen AG.

Corporate governance

The supervisory board and board of management have repeatedly and intensively discussed the recommendations and suggestions of the German Corporate Governance Code. They examined the updates to the German Corporate Governance Code in 2022 in great depth. In December 2022, they submitted the annual declaration on conformity in accordance with Sec. 161 AktG on the recommendations of the German Corporate Governance Code and made it permanently accessible to shareholders on the company’s website at www.porsche-se.com/en/company/corporate-governance/. The current declaration on conformity is reproduced in full in the declaration of compliance, published on the company’s website.

Due to the influence of individual members of the supervisory board of Porsche SE on individual ordinary shareholders of Porsche SE or the fact that individual supervisory board members are also members of the supervisory boards of Porsche SE and Volkswagen AG or Volkswagen subsidiaries, conflicts of interest can arise for these members of the supervisory board in individual cases.

To the extent that concrete conflicts of interest existed or were feared, the particular conflict of interest was reported to the supervisory board by the member concerned. If a subsequent review found that there was a conflict of interest, suitable measures were taken to resolve it. The specific measures depended on the type of conflict and the circumstances of the individual case. One possibility is that the supervisory board members concerned do not participate in the discussion of the relevant resolution or to abstain from voting. Another possibility is that the supervisory board member concerned is not informed about the matter in question and also does not participate in the deliberations. In the past fiscal year, potential conflicts of interest were identified in particular in connection with Project Phoenix. For example, the members of the supervisory board Dr. Wolfgang Porsche, Dr. Hans Michel Piëch and Dr. Ferdinand Oliver Porsche, who are also members of the supervisory board of Volkswagen AG and Porsche AG, resolved a potential conflict of interest in favor of Porsche SE in order to be able to participate in discussions and resolutions on the supervisory board of Porsche SE. This involved not participating in any discussions or resolutions either in the supervisory board of Volkswagen AG or in the supervisory board of Porsche AG in connection with Project Phoenix or acknowledging any reports by the board of management or other submissions to the supervisory board on Project Phoenix if there was any fear of a potential conflict of interest. Mag. Marianne Heiß’s position on the supervisory board of Volkswagen AG, on the other hand, meant that she did not participate in the discussions and resolutions of the supervisory board of Porsche SE related to Project Phoenix and did not receive any information about Project Phoenix at Porsche SE as she continued to participate in the discussions and resolutions on the supervisory board of Volkswagen AG also in connection with Project Phoenix, and a potential conflict of interest in her function as member of the supervisory board of Porsche SE could not be ruled out. Conflicts of interest also could not be ruled out in the case of resolutions of the company at the annual general meeting of Volkswagen AG regarding the individual approval of the acts of members of the supervisory board for the fiscal year 2021. If supervisory board members are also on the supervisory board of Volkswagen AG, they abstained from voting in the resolutions on Porsche SE’s voting behavior in the annual general meeting of Volkswagen AG regarding their own exoneration.

Comments on the result of the audit of the financial statements and on the proposal for the appropriation of profit

The annual general meeting on 13 May 2022 appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Stuttgart office (“PricewaterhouseCoopers GmbH”), to audit the annual financial statements and consolidated financial statements for the fiscal year 2022. Prior to the supervisory board issuing its recommendation for appointment to the annual general meeting, the auditor submitted a declaration of independence to the supervisory board, which was reviewed by the audit committee.

Alongside the key audit matters identified by the auditor in the auditor’s report, the audit committee set the key topics as “Presentation of legal risks in the combined management report”, “Accounting for the sale of PTV Planung Transport Verkehr GmbH and the first-time inclusion and subsequent accounting treatment of European Transport Solutions S.à r.l. in the annual and consolidated financial statements” and “Accounting for the acquisition and intended sale of preferred shares of Volkswagen AG in the consolidated financial statements”.

The auditor issued an unqualified auditor’s report for both the annual financial statements and the consolidated financial statements (each supplemented by the combined management report) of Porsche SE for the fiscal year 2022. The audit committee discussed the audit risk assessment, the audit strategy, key audit matters and the audit planning with the auditor during preparations for the audit. The audit committee also consulted with the auditor without the board of management. In the course of preparing for and performing the audit, the chairman of the audit committee regularly exchanged information with the auditor on the status of the audit, the provisional audit results and on the quality of the audit. He reported on these exchanges in the committee. The auditors also attended both the audit committee meeting and the supervisory board meeting at which the annual and consolidated financial statements and the combined management report for the fiscal year 2022 were discussed. In preparation, the members of the audit committee and supervisory board were provided with extensive documents and the audit reports of the auditor. The audit committee examined and discussed all reports made available to it and inquired about them in a critical manner. These were also discussed in great detail in the presence of the auditor. The auditors reported on the results of their audits, also referring to the key audit matters, the respective procedures during the audit, including the conclusions, the additional key topics set by the audit committee and were available to answer any additional questions or provide information. Furthermore, the auditor confirmed that the risk early warning system implemented by the board of management is suitable for identifying at an early stage any risks jeopardizing the ability of the company to continue as a going concern. After its own audit, the audit committee concurred with the result of the audits by the auditor.

The chairman of the audit committee and the auditor reported on the results of their audits to the supervisory board and were available to answer any additional questions or provide information. After its own audit, the supervisory board concurred with the result of the auditor’s and audit committee’s audits. It determined that it had no objections to raise, approved the consolidated and annual financial statements as well as the combined management report prepared by the board of management for the fiscal year 2022 and thus ratified the financial statements for the fiscal year 2022 of Porsche SE.

Based on this, the supervisory board endorsed the suggestion of the board of management for the appropriation of profit available for distribution.

Remuneration report

The supervisory board and the board of management prepared the remuneration report pursuant to Sec. 162 AktG for the fiscal year 2022 and made it available at www.porsche-se.com/en/company/corporate-governance/. The remuneration report is also included in the annual report. Exceeding the legal requirements, the remuneration report was subject to a voluntary audit of its content by PricewaterhouseCoopers GmbH, who issued an unqualified audit opinion thereon.

Audit of the dependent company report

Pursuant to Art. 9 (1) lit. c (ii) SE Regulation (SE-VO) and Sec. 312 AktG, the board of management prepared a report on related companies ("dependent company report") for the fiscal year 2022. PricewaterhouseCoopers GmbH audited the dependent company report and rendered the following opinion:

"Based on our audit and assessment in accordance with professional standards we confirm that

(1) the factual disclosures contained in the report are correct,

(2) the payments made by the company in connection with transactions detailed in the report were not unreasonably high."

The supervisory board concurred with the result of the audit by the auditor of the dependent company report. According to the concluding results of its own review, the supervisory board had no objections to raise with respect to the closing declaration of the board of management in the dependent company report.

Audit of the non-financial group report

The supervisory board thoroughly examined the non-financial group report. No objections were raised.

Composition of the board of management and supervisory board

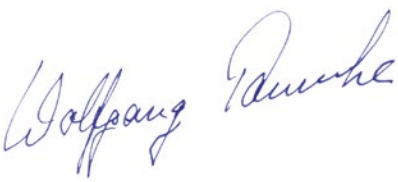
The extension of the appointment of chairman of the board of management Mr. Hans Dieter Pötsch by another five years became effective as of 1 January 2022. There was a personnel change within the board of management with the appointment of Dr. Johannes Lattwein as member of the board of management responsible for finance and IT in January 2022 effective 1 February 2022. Since then. Mr. Hans Dieter Pötsch, who acted as the member of the board of management responsible for finance up until the appointment of Dr. Johannes Lattwein, has served exclusively as chairman of the board of management.

At the end of the annual general meeting on 13 May 2022 the term of office of the chairman of the supervisory board, Dr. Wolfgang Porsche, and that of the other members of the supervisory board Dr. Hans Michel Piëch, Prof. Dr. Ulrich Lehner and Dr. Ferdinand Oliver Porsche ended. At the recommendation of the supervisory board – based on the recommendation of the nominations committee – the annual general meeting re-elected Dr. Wolfgang Porsche, Dr. Hans Michel Piëch, Prof. Dr. Ulrich Lehner and Dr. Ferdinand Oliver Porsche as members of the supervisory board for a term until the end of the annual general meeting that passes a resolution on the exoneration of the members of the supervisory board for the fiscal year 2026. At the constituent supervisory board meeting directly after the annual general meeting, Dr Wolfgang Porsche was appointed chairman of the supervisory board and Dr. Hans Michel Piëch deputy chairman of the supervisory board.

Acknowledgment

The supervisory board expresses its gratitude to the board of management and all employees in acknowledgment of the work they have done and their unflagging commitment.

Stuttgart, 17 March 2023



The supervisory board
Dr. Wolfgang Porsche
Chairman

Remuneration report and auditor’s report

I. Introduction

The remuneration report prepared by the board of management and supervisory board of Porsche Automobil Holding SE (“Porsche SE” or the “company”) describes the main features of the remuneration systems applicable in the fiscal year 2022 for members of the board of management and supervisory board of Porsche SE in the fiscal year 2022, and explains in detail the individual remuneration awarded and due to every single current or former member of the board of management and supervisory board in the reporting year. Awarded and due remuneration relates to the amounts that the individual member of the board of management or supervisory board actually received in the reporting period or amounts due that have not yet been paid out. Additionally the remuneration earned in the fiscal year 2022 that was neither received nor fell due in the reporting period is included for the members of the board of management. In addition, the report contains disclosures on benefits promised to members of the board of management in the event of regular or early termination of their service.

The disclosures comprise the remuneration awarded and due to the members of the board of management and supervisory board for their board activities at Porsche SE in accordance with its remuneration system. This also includes activities at Porsche Beteiligung GmbH, Porsche Zweite Beteiligung GmbH, Porsche Dritte Beteiligung GmbH, Porsche Vierte Beteiligung GmbH as well as at PTV Planung Transport Verkehr GmbH. It does not include activities of Porsche’s SE board members within the Volkswagen Group. The remuneration that board members of Porsche SE receive from the Volkswagen Group for activities within the Volkswagen Group is therefore not included in the disclosures below.

The remuneration report complies with the requirements of the AktG [“Aktiengesetz”: German Stock Corporation Act] as well as the recommendations of the German Corporate Governance Code (“GCGC”). The presentation currency is the euro. Unless otherwise stated, all figures are presented in thousands of euro (€ thousand). All figures and percentages are rounded according to customary business practice, so minor discrepancies may arise from the addition of these amounts. The comparative prior-year figures are presented in parentheses alongside the figures for the current reporting period and were determined using the same methods as for the current reporting year figures.

This remuneration report is subject to a voluntary audit of its content pursuant to IDW Assurance Standard “Examination of Financial Statements or their Components (IDW AsS 490)” by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Stuttgart branch.

II. Significant events and developments in the fiscal year 2022

1. Business development and development of key performance indicators in the fiscal year 2022

Porsche SE's main corporate goal is to invest in companies that contribute to the mid- and long-term profitability of the Porsche SE Group while securing sufficient liquidity. In line with this corporate goal, the IFRS group result after tax and group net liquidity are the core management indicators in the Porsche SE Group.

By definition, net liquidity of the Porsche SE Group is calculated as cash and cash equivalents, time deposits and securities derived from the consolidated balance sheet less financial liabilities.

The group result after tax of Porsche SE for the fiscal year 2022 came to €4,787 million (€4,566 million). The result after tax was significantly influenced by the investment in Volkswagen accounted for at equity of €4,524 million (€4,628 million). The result of the Volkswagen Group was positively influenced by effects from the price positioning, the product mix as well as from derivatives to which hedge accounting is not applied. These factors were offset in particular by parts supply shortages, increased product costs as well as loss allowances and risk provisions in connection with the consequences of the Russia-Ukraine conflict and the equity investment in Argo AI. There was also an increase in the tax expense and the share of the result of non-controlling interests.

Net liquidity of the Porsche SE Group decreased to minus €6,672 million (€641 million) compared to 31 December 2021.

On 28 September 2022, Volkswagen placed 25% of the preference shares (including additional allocations) of its subsidiary Porsche AG with investors. Since 29 September 2022, these preference shares have been traded on the Frankfurt Stock Exchange.

The basis for the IPO was a comprehensive agreement to enter into a number of contracts between Volkswagen and Porsche SE. In this context, both parties agreed, among other things, that Porsche SE acquires 25% plus one share of Porsche AG's ordinary shares from Volkswagen. The total price for 25% plus one share of Porsche AG's ordinary shares amounted to €10.1 billion.

Debt financing for this transaction was provided by an international syndicate of banks. The original financing volume came to a total of €8.9 billion, of which €7.1 billion had been utilized as of 31 December 2022.

2. Change in the composition of the board of management and the supervisory board

The supervisory board extended the appointment of chairman of the board of management Mr. Hans Dieter Pötsch by five years effective 1 January 2022. Furthermore, the supervisory board appointed Dr. Johannes Lattwein as member of the board of management responsible for finance and IT effective 1 February 2022, thereby enlarging Porsche SE's board of management to four members. Dr. Lattwein was appointed for a term of three years.

Four supervisory board members were re-elected by the annual general meeting of Porsche SE on 13 May 2022, namely Dr. Wolfgang Porsche, Dr. Hans Michel Piëch, Prof. Dr. Ulrich Lehner and Dr. Ferdinand Oliver Porsche. At the constituent supervisory board meeting directly after the annual general meeting, the oversight body confirmed Dr. Wolfgang Porsche as chairman of the supervisory board and Dr. Hans Michel Piëch as deputy chairman. Accordingly, no changes were made to the composition of the supervisory board.

3. Approval of the remuneration report by the annual general meeting 2022

At the ordinary general meeting on 13 May 2022, the remuneration report for the fiscal year 2021 prepared and audited in accordance with Sec. 162 AktG was approved unanimously. There were thus no aspects that had to be taken into account with regard to the remuneration system, its implementation or the reporting in the reporting period.

III. Remuneration of current or former members of the board of management

1. General principles of the remuneration system

Establishing and implementing the remuneration system

The remuneration system for the board of management is established by the supervisory board in accordance with Sec. 87a (1) AktG. The supervisory board is assisted in this by the executive committee, which prepares proposals and recommendations with respect to both the structure and the further development of the remuneration system for the board of management. External advisors may be consulted as needed. If the supervisory board retains remuneration consultants, it must make sure in particular that the consultants are independent.

No adjustments were made to the existing remuneration system in the fiscal year 2022.

With a view to avoiding potential conflicts of interest, the requirements of the AktG and the recommendations of the GCGC apply to the establishment, implementation and review of the remuneration system. The members of the supervisory board and of all committees are required to notify the supervisory board of any conflicts of interest. In such cases, the individuals concerned must not be involved in decisions on the matters subject to conflicts of interest.

Guidelines of the board of management remuneration system 2021

The remuneration system for the members of the board of management approved by the supervisory board on 3 December 2020 and approved by the annual general meeting on 23 July 2021 ("board of management remuneration system 2021") is to further the strategic goal of Porsche SE through targeted individual incentives for the board of management members and by aligning the interests of the board of management and shareholders. Furthermore, the remuneration system is to create incentives for implementing the corporate strategy in a sustainable way and thus contribute to positive corporate development. Accordingly, the remuneration system is to apply the following principles:

- Promoting Porsche SE as a profitable and competitive holding company
- Horizontal compatibility: appropriateness and market conformity of the remuneration of the board of management members in relation to comparable corporate groups and holding companies
- Vertical compatibility: taking into consideration the board of management members' remuneration in proportion to the remuneration of the first management level and to the relevant total workforce.

Application of the board of management remuneration system 2021

The board of management remuneration system 2021 applied to all board of management service agreements in the reporting year 2022. In the course of extending their agreements, Dr. Döss and Mr. Pötsch were switched to the board of management remuneration system 2021 effective 1 January 2021 and 1 January 2022, respectively. The board of management remuneration system 2021 had not previously applied for these two board of management members. For this reason, the remuneration components awarded for fiscal years up to and including 2020 that were paid out to Dr. Döss in the fiscal year 2022 are not yet based on the board of management remuneration system 2021. For Mr. Pötsch, there were no special features for the reporting period from the former remuneration principles applying to his remuneration until 2021.

The board of management remuneration system 2021 of Porsche SE is published at www.porsche-se.com/en/company/corporate-governance/.

Any former remuneration principles differing from the board of management remuneration system 2021 that are of relevance for this remuneration report are explained separately. Unless noted separately, the information relates to the board of management remuneration system 2021.

Review of the appropriateness of the remuneration system

The board of management remuneration system is reviewed on a regular basis by the supervisory board – based on the preparatory work and recommendations of the executive committee – with regard to necessary adjustments and its further development and, in the event of material changes, but no later than every four years, is again submitted to the annual general meeting for approval.

The appropriateness of the remuneration is assessed in particular in light of the tasks and performance of the individual board of management member and the situation of the company. Additionally, the supervisory board makes sure that the remuneration is aligned with the company's long-term sustainable development and that customary remuneration is not exceeded unless there are special reasons. When determining what is customary, both the horizontal compatibility with peer group companies and the vertical compatibility with remuneration structures within Porsche SE are taken into account.

The peer group used to assess the market conformity of the remuneration is identified with reference to the following criteria: market capitalization, total assets, location of the registered office and comparability of the industry sector. For this purpose, on the one hand, DAX-listed peer group companies are used with respect to market capitalization (DAX peer group) and, on the other, selected investment holding companies based in Western Europe are used with respect to the industry sector of investment management (holding peer group).

The horizontal compatibility check was most recently performed in the fiscal year 2020 in the course of setting up the board of management remuneration system 2021 using the following peer group companies:

Company	Peer group	Company	Peer group
Adidas AG	Dax	Eurazeo S.A.	Holding
Allianz SE	Dax	Fresenius Medical Care AG & Co KGaA	Dax
Aurelius SE & Co. KGaA	Holding	Fresenius SE & Co KGaA	Dax
BASF SE	Dax	HeidelbergCement AG	Dax
Bayer AG	Dax	Henkel AG & Co KGaA	Dax
Bayerische Motoren Werke AG	Dax	Indus Holding AG	Holding
Beiersdorf AG	Dax	Infineon Technologies AG	Dax
Continental AG	Dax	Linde PLC	Dax
Covestro AG	Dax	Merck KGaA	Dax
Daimler AG	Dax	MTU Aero Engines AG	Dax
Delivery Hero SE	Dax	Münchener Rückversicherungs-Gesellschaft AG	Dax
Deutsche Bank AG	Dax	Rocket Internet SE	Holding
Deutsche Beteiligungs AG	Holding	RWE AG	Dax
Deutsche Börse AG	Dax	SAP SE	Dax
Deutsche Post AG	Dax	Siemens AG	Dax
Deutsche Telekom AG	Dax	Volkswagen AG	Dax
Deutsche Wohnen SE	Dax	Vonovia SE	Dax
E.ON SE	Dax	Wendel SE	Holding

For the vertical comparison, the relation of the board of management remuneration to the remuneration of the first management level and also to the remuneration of the relevant total workforce is taken into account, in each case also considering the development of the remuneration over time. The relevant total workforce used for the purpose of the vertical comparison is the entire staff of Porsche SE below the board of management, i.e., including the first management level (but not including the employees of group companies) (the “total workforce”).

2. Components of board of management remuneration in the fiscal year 2022

Fixed remuneration

The fixed remuneration consists of the fixed salary, fringe benefits and, in principle, pension benefits. The rationale for fixed and thus non-performance-based remuneration is to provide the board of management members with an appropriate base income. In the supervisory board's view, such base income reduces the likelihood that board of management members will take risks that are inappropriate from the company's point of view.

Fixed salary

The fixed salary is cash-based remuneration set for the entire year that is paid out in twelve equal monthly installments. The amount of each board of management member's fixed salary varies depending on each member's area of responsibility, professional background and the general market conditions affecting the department represented by that member, and taking into account that member's overall time commitment also with respect to any sideline activities.

Fringe benefits

In addition, each board of management member receives benefits in kind and other earnings ("fringe benefits"). In particular, the following benefits are awarded as fringe benefits:

- In general, a company car, which may also be used for private purposes, is made available to each board of management member. Such a company car provision may be omitted, if the board of management member is already entitled to use a company vehicle based on a sideline activity for a third-party company. The tax values are used to quantify the provision of a company car in the remuneration tables.
- Each board of management member also has the possibility to use other company vehicles privately for a discounted usage charge according to the terms applicable to the first management level.
- Each board of management member is covered by the insurance taken out by Porsche SE, i.e., legal protection insurance (covering civil and criminal liability) and financial loss liability insurance for board of management members (so-called "D&O insurance"), and also by the group occupational accident insurance taken out by Porsche SE unless the board of management member is already covered by occupational accident insurance through a sideline activity for a third-party company.
- Each board of management member receives an allowance for health and long-term care insurance up to the amount of the employer's share of the statutory health and long-term care insurance unless the board of management member already receives such an allowance under another service contract due to double employment.
- Each board of management member is entitled to continued payment of remuneration in the event of illness for no longer than 12 months. In the event of death, the surviving dependents are entitled to receive death grants equivalent to six monthly installments of the fixed salary.
- The board of management members receive certain perks and benefits to a limited extent, equal to what is also awarded to the first management level from time to time.

In general, all board of management members are equally entitled to the benefits in kind and the other earnings; whether or not individual benefits are awarded and in what specific amounts may vary depending on the board of management member’s circumstances/departmental responsibility.

The current chairman of the board of management is additionally allowed to travel by charter flight to and from the registered office of Porsche SE at the expense of Porsche SE in order to perform his tasks. Furthermore, Porsche SE bears in certain cases the accommodation and food costs for staying at the location of the registered office of Porsche SE on the day before or after their business-related stay at Porsche SE's registered office.

Variable remuneration (board of management remuneration system 2021)

Principles of variable remuneration

In addition, the board of management members receive variable, performance-based remuneration in the form of a performance bonus that depends on whether or not specific financial and non-financial performance targets are reached. The bonus consists of a short-term incentive (“STI”) and a long-term incentive (“LTI”). The parameters for both components are for the most part identical. However, the long-term incentive is tied to additional long-term performance criteria, the payment of which depends on whether or not these are fulfilled (“payout hurdle”). The aim of variable remuneration is to create incentives for implementing the corporate strategy in a sustainable way through targeted individual incentives for the board of management members and thus to promote Porsche SE as a profitable and competitive holding company.

The performance targets for the bonus are set in individual target agreements concluded with the individual board of management members. A target agreement is concluded between the board of management member and the supervisory board in each case before the relevant fiscal year starts; a target agreement stipulates several individual performance targets set by the supervisory board based on the business strategy, in addition to stipulating the relative weighting of the targets. The individual performance targets comprise primarily non-financial individual targets but may also be supplemented by financial performance targets related to that board of management member’s department and tasks.

Besides the performance targets stipulated in the target agreement on an annual basis, a discretionary modifier is used to calculate the amount of the bonus. The modifier is set by the supervisory board at its reasonable discretion on the basis of an evaluation of the economic situation and development of the company and the general performance of the board of management member to the extent that these factors have not already been taken into account in the specific individual targets stipulated in the target agreement.

The basis for the calculation of the bonus is a target amount specified in the service contract, which is based on a target achievement of 100% (“bonus target amount”). The total payment amount for the bonus is limited to 150% of the bonus target amount (“bonus cap”).

A board of management member’s specific performance relating to the individual targets set in the target agreement and the corresponding degree of target achievement are assessed based on a scale in 25% increments with target achievement levels from 0% to 150% with the aim of achieving measurability of target achievement wherever possible. To the extent the measurability of the target achievement is not provided for, the supervisory board determines the level of target achievement at its due discretion.

In accordance with the relative weighting of the individual performance targets, an overall degree of target achievement is determined based on the individual levels of target achievement calculated, on the basis of which an intermediate amount is calculated using the bonus target amount. The intermediate amount calculated in this way is multiplied by the set modifier and the result is the total bonus amount, which is subject to the bonus cap:

> Overall degree of target achievement x bonus target amount (in EUR) x modifier = total bonus amount (but not exceeding the bonus cap)

If the overall degree of target achievement is less than 50%, no bonus will be paid for the relevant fiscal year (neither the STI nor LTI component).

In the event of extraordinary developments, the supervisory board may, at its reasonable discretion, increase or reduce the calculated total bonus amount by up to 20% by setting a special adjustment factor of 0.8 to 1.2; in that case, such an increase is not limited by the bonus cap.

Target achievement and the total bonus amount (taking into account the modifier and special adjustment factor) are determined within three months of the end of the bonus-relevant fiscal year ("set total bonus amount").

Short-term incentive

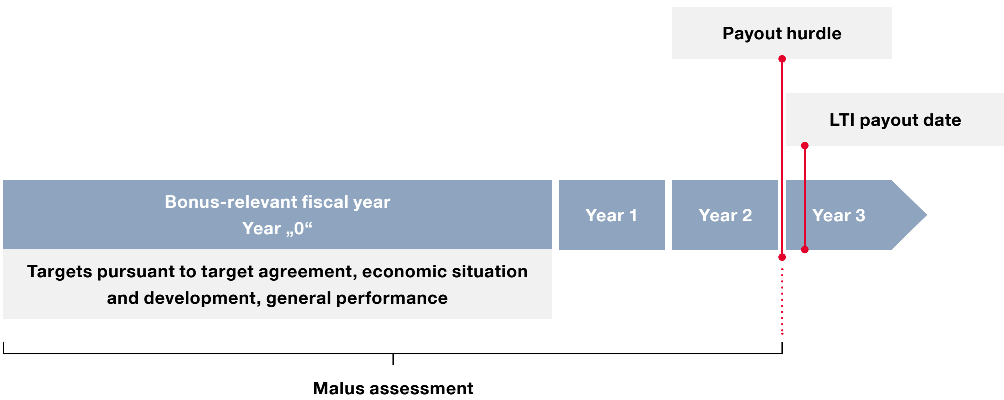
A share of 40% of the set total bonus amount constitutes the STI, which, subject to any applicable malus mechanisms (see "III. 6. Compliance with remuneration ceiling"), is paid out three months after the end of the bonus-relevant fiscal year, but not before expiry of the third day following the day of the supervisory board meeting in which the consolidated financial statements of Porsche SE are approved.

Long-term incentive

A share of 60% of the set total bonus amount constitutes the LTI, which is retained for another two years after the end of the bonus-relevant fiscal year.

It will be paid out after the end of the two-year deferral period unless any malus mechanisms (see "III. 6. Compliance with remuneration ceiling") during the three-year assessment period (i.e., including the two-year deferral period) result in a forfeiture or reduction and only if the payout hurdle is met.

The payout hurdle is met if, in the second fiscal year following the bonus-relevant fiscal year, a positive group result before tax or other group result before tax previously determined by the supervisory board is generated. If this payout hurdle is not reached, the entire LTI is forfeited. If the payout hurdle is met, the LTI (subject to any applicable malus mechanisms) will be due for payment two years after the corresponding STI falls due for payment, but not before the end of the third day following the day of the supervisory board meeting in which the consolidated financial statements of Porsche SE are approved that are decisive for determining whether or not the payout hurdle has been met.



Special bonus

At its due discretion, the supervisory board may, based on a special bonus target agreement, offer to individual board of management members a special bonus for the forthcoming fiscal year with respect to special issues that require particular achievements. The same applies to special issues arising due to extraordinary developments during an ongoing fiscal year.

Variable remuneration (former remuneration principles relevant in the reporting year)

Up to and including the fiscal year 2021, Mr. Pötsch's service contract did not provide for any variable remuneration.

Dr. Döss also received variable remuneration in accordance with the previously applicable remuneration principles. The amount of variable remuneration was specified by the supervisory board at its discretion, taking into account the achievement of targets set in target agreements as well as the business and earnings situation of the company. 40% of the variable remuneration set by the supervisory board for each completed fiscal year is due for payment three months after the fiscal year relevant for the bonus ends (short-term variable remuneration). The remaining 60% is generally due for payment two years after the short-term variable remuneration falls due (long-term variable remuneration). Payment is largely dependent on the Porsche SE Group generating a positive group result before tax in the most recent fiscal year concluded before the long-term variable remuneration fell due. In contrast to the board of management remuneration system 2021, the former remuneration agreement in place with Dr. Döss thus in particular did not include a definition of the determination of target achievement using a scale in 25% increments with target achievement levels from 0% to 150% as well as modifier. The LTI 2019 variable compensation paid out in the reporting year and the LTI 2020 variable remuneration for Dr. Döss that has not been paid out yet are based on the former remuneration agreement.

The variable remuneration for the former board of management member Mr. von Hagen paid out in the fiscal year 2022 was generally subject to the same former remuneration principles that were applied for Dr. Döss. However, as an additional disbursement requirement for the long-term variable remuneration, positive net liquidity of Porsche SE was required in addition to a positive group result after tax. In connection with Mr. von Hagen leaving the board of management as of 30 June 2020, it was agreed that these disbursement requirements would no longer be applied.

3. Benefits and benefit commitments in connection with the termination of board of management activity

Benefits paid upon early contract termination

In the event of early termination of the service contract (and of the board of management activity), any payments due to the board of management member are limited to the value of twice the total annual remuneration ("severance cap"); the payments must not in any event exceed the remuneration due for the remaining term of the service contract. The total annual remuneration corresponds to the total remuneration for the purpose of making sure that the maximum remuneration has been complied with (see "III. 6. Compliance with remuneration ceiling"). The severance cap is calculated on the basis of the total remuneration for the past full fiscal year and, if appropriate, also the expected total remuneration for the current fiscal year.

If the service contract is terminated for a cause for which the board of management member is responsible, no severance payment will be made to the board of management member. Any severance payment will be set off against any non-competition compensation that is payable in the event that a post-contractual prohibition of competition has been agreed.

Benefit commitments for board of management members in the event of regular termination of their service

The pension schemes applicable to the board of management members vary depending on the date the member joined the board of management.

Mr. Pötsch does not receive any company pension benefits from Porsche SE.

Dr. Döss is awarded a salary-based retirement pension commitment that gives rise to a retirement pension entitlement equivalent to 25% of an agreed pensionable income. This increases by one percentage point for each active year of service as member of the board of management up to a maximum of 40%. As of 31 December 2022, Dr. Döss has reached a retirement pension entitlement of 32%. Retirement pension eligibility arises through termination of the service contract when or after the board of management member has reached 65 years of age or before the member has reached the age of 65 and if during the term of the service contract permanent inability to work occurs. Upon termination of the service contract before reaching the age of 65 and in the absence of an inability to work, Dr. Döss keeps his expectancy rights to pension benefits to the extent prescribed by law. However, in such a case, the expectancy rights will become vested with immediate effect. The retirement pension is payable in twelve equal monthly installments. The surviving dependents' pension comprises a widows' pension of 60% of the retirement pension and orphans' benefits of 20% of the retirement pension for each child, reduced to 10% for each child if a widow's pension is paid. The total amount of the widows' pension and orphans' benefits must not exceed the amount of the retirement pension. Orphans' benefits are limited to a total of 80% of the retirement pension. Dr. Döss will continue to be entitled to a company car following the date of retirement.

Dr. Lattwein and Mr. Meschke receive a direct commitment in the form of an employer-financed defined contribution benefit commitment, which will also be awarded to new members joining the board of management in accordance with the board of management remuneration system 2021.
Dr. Lattwein and Mr. Meschke are entitled to an annual pension contribution of €270 thousand and €60 thousand, respectively. The pension contribution is made on a pro rata basis for the year of joining as well as in the event of terminating the board of management service contract during the year. The pension contribution is paid for each year the service contract exists, but for no longer than until the member reaches the age of 62. The pension contributions together with the interest attributable to these contributions from the pension capital. The pension capital accumulated at the end of the preceding year bears interest of 4.0% on an annual basis. The pension commitment covers three pensionable events: old age (reaching the age of 62), reduction in earnings capacity (within the meaning of the German statutory pension insurance scheme, but with respect to the service as member of the board of management, which is expected to last for at least six months) and death. The entitlement to pension payments exists only for the pensionable event that occurs first and also requires that the service contract has ended and that the board of management member has ceased to work for the company. Expectancy rights accruing from the benefit commitment on the basis of reaching old age are, in principle, subject to the applicable statutory vesting regulations (Sec. 1b (1) BetrAVG ["Betriebsrentengesetz": German Company Pension Act]) and thus become vested after three years; in derogation therefrom, contractual vesting applies with immediate effect for occupational disability and death. When a pensionable event occurs, the board of management member or his/her surviving dependents, as the case may be, will receive the pension capital as a one-time payment. Furthermore, following the date of retirement,

Dr. Lattwein continues to be entitled to a company car provided that he receives benefits from Porsche SE's pension scheme directly after his service contract is terminated as a result of reaching retirement age.

The table below contains the current service cost as well as the present value of the payment obligation of the board of management members active in the reporting year pursuant to IFRS.

€ thousand	Service cost IFRS **2022**	Present value IFRS **31/12/2022**
Dr. Manfred Döss	512	2,491
Dr. Johannes Lattwein	342	254
Lutz Meschke	77	157
	931	**2,902**

[1] The amounts stated relate to the pension agreement in place between Porsche SE and Dr. Lattwein in connection with his board of management activities since 1 February 2022. Therefore, the amounts do not contain any pension commitments relating to a period until 31 January 2022.

4. Awarded and due remuneration of the board of management members active in the fiscal year 2022

The tables below break down the remuneration awarded or due to the board of management members active in the fiscal year 2022 pursuant to Sec. 162 AktG. Awarded and due remuneration relates to the amounts that fell due in the reporting period and that were received. The figures thus represent the actual amounts received by each board of management member in the reporting year, regardless of which fiscal year the remuneration was set for and therefore earned. The remuneration awarded and due in the fiscal year 2022 thus comprises the fixed remuneration as well as the fringe benefits for the fiscal year 2022, any short-term incentive ("STI") for the fiscal year 2021 as well as any long-term incentive ("LTI") for the fiscal year 2019. By contrast, the expense or contribution to the company pension scheme has not yet led to a cash outflow to the members of the board of management.

The total remuneration earned in the reporting period is additionally presented in "III. 5. Board of management remuneration earned in the fiscal year 2022" and is used as a basis for ensuring compliance with the maximum remuneration.

Hans Dieter Pötsch

Chairman of the board of management (since 1 November 2015) and Chief Financial Officer (from 25 November 2009 to 31 January 2022)

	2022 € thousand	**2022**[1] %	2021 € thousand	2021[1] %
Fixed compensation	700		500	
Fringe benefits	350		255	
Total fixed remuneration	**1,050**	**100.0**	**755**	**100.0**
Total remuneration acc. to Sec. 162 (1) AktG	**1,050**	**100.0**	**755**	**100.0**

1 The relative shares stated here relate to total remuneration pursuant to Sec. 162 (1) AktG.

Until 31 December 2021, the remuneration agreement in place with Mr. Pötsch did not provide for any variable remuneration. Upon extending his agreement as of 1 January 2022, Mr. Pötsch was switched to the board of management remuneration system 2021. The variable remuneration earned by Mr. Pötsch in the fiscal year 2022 only counts as remuneration granted pursuant to Sec. 162 AktG once it is received in subsequent years. The remuneration awarded and due therefore does not contain any variable remuneration in the fiscal year 2022.

Dr. Manfred Döss

Board of management member responsible for legal affairs and compliance (since 1 January 2016)

	2022 € thousand	**2022[1]** %	2021 € thousand	2021[1] %
Fixed compensation	600		600	
Fringe benefits	58		91	
Total fixed remuneration	**658**	**48.7**	**691**	**53.1**
Short-term bonus				
STI 2021	304	22.5		
STI 2020			280	21.5
Long-term bonus				
LTI 2019	390	28.8		
LTI 2018			330	25.4
Total variable remuneration	**694**	**51.3**	**610**	**46.9**
Total remuneration acc. to Sec. 162 (1) AktG	**1,352**	**100.0**	**1,301**	**100.0**

1 The relative shares stated here relate to total remuneration pursuant to Sec. 162 (1) AktG.

The variable remuneration that Dr. Döss received in the fiscal year 2022 stems from the STI for the fiscal year 2021 as well as from the LTI for the fiscal year 2019. The variable remuneration for 2019 was determined by the supervisory board in prior years based on former remuneration principles (see section “III. 2. Components of board of management remuneration in the fiscal year 2022 variable remuneration section (former remuneration principles relevant in the reporting year)”).

In both 2019 and 2021, Dr. Döss’ individual performance targets comprised successful and efficient litigation, the further development of the company’s legal organization as well as employee development. The supervisory board discussed in detail the performance targets with regard to the fiscal years 2019 and 2021. A decision on their achievement was made at its due discretion on the basis of an assessment of Dr. Döss’ individual performance.

With regard to the LTI 2019, the supervisory board awarded a bonus amount of €390 thousand (maximum bonus amount: €450 thousand). The payout hurdle of the LTI component 2019 was also met.

The total bonus amount for the fiscal year 2021 was set for the first time using the board of management remuneration system 2021. The table below shows how the total bonus amount was derived:

€ thousand			2021
Bonus target amount			600
Individual performance target	Weighted %	Target achievement %	
Successful and efficient litigation	60	125	
Further development of the company's legal organization	20	100	
Employee development	20	100	
Overall target achievement level of individual targets (%)			115
Intermediate amount			**690**
Modifier			1.1
Total bonus amount considering Bonus-Cap			**759**
Special adjustment factor			1
Fixed total bonus amount			**759**
thereof STI 2021 (40%)			304

The modifier for the fiscal year 2021 was 1.1 and was determined by the supervisory board at its reasonable discretion in light of the economic situation and development of the company on the basis of the group result after tax for the fiscal year 2021 compared to the planned group result after tax for the fiscal year 2021 as well as in light of the general individual performance in the fiscal year 2021. There were no extraordinary developments causing the variable remuneration to increase or decrease, meaning that the special adjustment factor was not applied.

Dr. Johannes Lattwein

Member of the board of management responsible for finance and IT (since 1 February 2022)

	2022 € thousand	2022[1] %
Fixed compensation	550	
Fringe benefits	107	
Total fixed remuneration	**657**	**100.0**
Total remuneration acc. to Sec. 162 (1) AktG	**657**	**100.0**

[1] The relative shares stated here relate to total remuneration pursuant to Sec. 162 (1) AktG.

The variable remuneration earned by Dr. Lattwein in the fiscal year 2022 only counts as remuneration granted pursuant to Sec. 162 AktG once it is received in subsequent years. The remuneration awarded and due therefore does not contain any variable remuneration in the fiscal year 2022.

Lutz Meschke

Board of management member responsible for investment management (since 1 July 2020)

	2022 € thousand	2022[1] %	2021 € thousand	2021[1] %
Fixed compensation	540		540	
Fringe benefits	0			
Total fixed remuneration	**540**	**78.3**	**540**	**89.4**
Short-term bonus				
STI 2021	150	21.7		
STI 2020			64	10.6
Total variable remuneration	**150**	**21.7**	**64**	**10.6**
Total remuneration acc. to Sec. 162 (1) AktG	**690**	**100.0**	**604**	**100.0**

[1] The relative shares stated here relate to total remuneration pursuant to Sec. 162 (1) AktG.

The variable remuneration that Mr. Meschke received in the fiscal year 2022 stems from the STI for the fiscal year 2021. The supervisory board discussed the performance targets of Mr. Meschke in detail. A decision on their achievement was made on the basis of an assessment of Mr. Meschke's individual performance. The table below shows how the set total bonus amount for the fiscal year 2021 was derived:

€ thousand	Weighted %	Target achievement %	**2021**
Bonus target amount			250
Individual performance target			
Identification of investment opportunities	25	150	
Further development of the company's investment management organization	15	125	
Active value management of the investment portfolio	45	150	
Employee development	15	150	
Overall target achievement level of individual targets (%)			146
Intermediate amount			**366**
Modifier			1.1
Total bonus amount considering Bonus-Cap			**375**
Special adjustment factor			1
Fixed total bonus amount			**375**
thereof STI 2021 (40%)			150

The modifier for the fiscal year 2021 was 1.1 and was determined by the supervisory board at its reasonable discretion in light of the economic situation and development of the company on the basis of the group result after tax for the fiscal year 2021 compared to the planned group result after tax for the fiscal year 2021 as well as in light of the general individual performance in the fiscal year 2021. There were no extraordinary developments causing the variable remuneration to increase or decrease, meaning that the special adjustment factor was not applied.

5. Board of management remuneration earned in the fiscal year 2022

In addition to fixed remuneration, the tables below contain the one-year and multiple-year variable remuneration components, some conditional, earned by the active members of the board of management in the fiscal years 2022 and 2021 as well as the service cost from pension commitments in accordance with IFRS. Unlike the amounts in section “III. 4. Awarded and due remuneration of the board of management members active in the fiscal year 2022”, the variable remuneration components do not show the amounts received in the reporting period, but rather the set total bonus amounts for the reporting period. The total remuneration earned forms the basis for the review of compliance with the maximum remuneration (see “III. 6. Compliance with remuneration ceiling”).

Hans Dieter Pötsch

Chairman of the board of management (since 1 November 2015) and Chief Financial Officer (from 25 November 2009 to 31 January 2022)

	2022 € thousand	**2022** %	2021 € thousand	2021 %
Fixed compensation	700		500	
Fringe benefits	350		255	
Total fixed remuneration	**1,050**	**56.0**	**755**	**100.0**
Short-term bonus				
STI 2022	330	17.6		
Long-term bonus				
LTI 2022	495	26.4		
Total variable remuneration	**825**	**44.0**	**0**	**0.0**
Service cost	**0**	**0.0**	**0**	**0.0**
Total earned remuneration for review of compliance with maximum remuneration	**1,875**	**100.0**	**755**	**100.0**

Dr. Manfred Döss

Board of management member responsible for legal affairs and compliance (since 1 January 2016)

	2022 € thousand	**2022** %	2021 € thousand	2021 %
Fixed compensation	600		600	
Fringe benefits	58		91	
Total fixed remuneration	658	**33.4**	**691**	**34.0**
Short-term bonus				
STI 2022	321	16.3		
STI 2021			304	15.0
Long-term bonus				
LTI 2022	482	24.4		
LTI 2021			455	22.4
Total variable remuneration	**803**	**40.7**	**759**	**37.4**
Service cost	**512**	**26.0**	**580**	**28.6**
Total earned remuneration for review of compliance with maximum remuneration	**1,973**	**100.0**	**2,031**	**100.0**

Dr. Johannes Lattwein

Member of the board of management responsible for finance and IT (since 1 February 2022)

	2022 € thousand	**2022** %
Fixed compensation	550	
Fringe benefits	107	
Total fixed remuneration	**657**	**37.1**
Short-term bonus		
STI 2022	308	17.4
Long-term bonus		
LTI 2022	462	26.1
Total variable remuneration	**770**	**43.5**
Service cost	**342**	**19.3**
Total earned remuneration for review of compliance with maximum remuneration	**1,768**	**100.0**

Lutz Meschke

Board of management member responsible for investment management (since 1 July 2020)

	2022 € thousand	**2022** %	2021 € thousand	2021 %
Fixed compensation	540		540	
Fringe benefits	0			
Total fixed remuneration	**540**	**55.5**	**540**	**55.3**
Short-term bonus				
STI 2022	143	14.6		
STI 2021			150	15.4
Long-term bonus				
LTI 2022	214	22.0		
LTI 2021			225	23.0
Total variable remuneration	**356**	**36.6**	**375**	**38.4**
Service cost	**77**	**7.9**	**62**	**6.3**
Total earned remuneration for review of compliance with maximum remuneration	**973**	**100.0**	**977**	**100.0**

To measure variable remuneration for the fiscal year 2022, the supervisory board assessed the achievement of the individual performance targets set for the fiscal year 2022.

The supervisory board discussed the performance targets in detail. A decision on their achievement was made on the basis of an assessment of the individual performance of the members of the board of management. Where no provision was made for the measurability of target achievement, the supervisory board carried out this assessment at its due discretion. The individual performance targets of the board of management members for the fiscal year 2022 set by the supervisory board including their target achievement level are summarized in the table below.

	Individual performance targets 2022	Weighted %	Target achievement %
Hans Dieter Pötsch	Development of strategic planning	30	150.0
	Digitization of business processes	20	150.0
	Strengthening capital market attractiveness	20	125.0
	Further development of employer attractiveness and employee satisfaction	15	150.0
	Development of a management succession plan	15	100.0
	Overall degree of target achievement		**137.5**
Dr. Manfred Döss	Successful and efficient litigation	60	150.0
	Further development of the company's "legal affairs and compliance" department	25	100.0
	Employee development	15	125.0
	Overall degree of target achievement		**133.8**
Dr. Johannes Lattwein	Further development of the corporate financial management	40	150.0
	Further development of the company's finance organization	10	125.0
	Financial advice on investment projects	35	150.0
	Employee development	15	100.0
	Overall degree of target achievement		**140.0**
Lutz Meschke	Identification of investment opportunities	25	150.0
	Further development of the investment strategy	20	150.0
	Active value management of the investment portfolio	40	150.0
	Employee development	15	100.0
	Overall degree of target achievement		**142.5**

With regard to determining the modifier for the fiscal year 2022, the economic situation and development of the company was assessed on the basis of the group result after tax for the fiscal year 2022 compared to the planned group result after tax for the fiscal year 2022. The general performance of the board of management members in the fiscal year 2022 was assessed at the supervisory board's reasonable discretion provided this had not already been covered by the assessment of the individual targets.

It became clear over the course of the fiscal year 2022 that the fiscal year was primarily shaped by the acquisition of 25% plus one share of Porsche AG's ordinary shares and the associated negotiations (see also "II. 1. Business development and development of key performance indicators in the fiscal year 2022"). On Porsche SE's board of management, it was largely Mr. Pötsch and Dr. Lattwein who oversaw this transaction including its financing. In order to take into consideration these extraordinary developments and the associated extraordinary achievements of Mr. Pötsch and Dr. Lattwein, who helped lead Porsche SE to an extremely successful result in the fiscal year 2022, the supervisory board set a special adjustment factor of 1.2 for Mr. Pötsch and Dr. Lattwein at its reasonable discretion. There were no extraordinary developments for Dr. Döss and Mr. Meschke, meaning that there was no increase or decrease in variable remuneration caused by applying the special adjustment factor.

The payout hurdle for the LTI 2022 is met when a positive group result before tax is achieved in the fiscal year 2024.

The table below presents the reconciliation of the bonus target amount to the total bonus amount for each board of management member earned for the fiscal year 2022 and set by the supervisory board.

€ thousand	Hans Dieter Pötsch	Dr. Manfred Döss	Dr. Johannes Lattwein	Lutz Meschke
Bonus target amount	500	600	458	250
Overall target achievement level of individual targets (%)	138	134	140	143
Intermediate amount	**688**	**803**	**642**	**356**
Modifier	1.0	1.0	1.0	1.0
Total bonus amount considering Bonus-Cap (150%)	**688**	**803**	**642**	**356**
Special adjustment factor	1.2	1.0	1.2	1.0
Fixed total bonus amount	**825**	**803**	**770**	**356**
thereof STI 2022 (40%)	330	321	308	143
thereof LTI 2022 (60%)	495	482	462	214

The LTIs earned but not yet paid out as of 31 December 2022 comprised LTI components for the following fiscal years presented in the table below. They will be paid out after the end of a two-year deferral period unless any malus mechanisms during the three-year assessment period (i.e., including the two-year deferral period) result in a forfeiture or reduction and only if the payout hurdle is met (see also section “III. 2. Components of board of management remuneration in the fiscal year 2022”).

€ thousand	Date of disbursement	Hans Dieter Pötsch	Dr. Manfred Döss	Dr. Johannes Lattwein	Lutz Meschke	Philipp von Hagen until 30 June 2020
LTI 2022	2025	495	482	462	214	
LTI 2021	2024		455		225	25[1]
LTI 2020	2023		420		96	150[1]
		495	**1,357**	**462**	**535**	**175**

1 In connection with Mr. von Hagen leaving the board of management of Porsche SE in the fiscal year 2020, it was agreed that the benefits to which he is entitled under his service contract would be honored in full until the end of the term of the contract on 28 February 2021. As a result of this, Mr. von Hagen receives long-term variable remuneration of €75 thousand (part of the LTI 2020) for the period from 1 July 2020 to 31 December 2020 as well as long-term remuneration of €25 thousand (LTI 2021) for the period from 1 January 2021 to 28 February 2021. The originally planned determination/disbursement requirements for the variable remuneration (positive group result before tax and positive net liquidity of Porsche SE) are no longer applied.

6. Compliance with remuneration ceiling

Maximum remuneration

The supervisory board has set the maximum remuneration for the entire board of management at €24 million per year.

This maximum remuneration constitutes the maximum amount that may be awarded to the entire board of management under the board of management remuneration system 2021 for board of management activities for a given fiscal year and includes all of the fixed and variable remuneration components (i.e., including any special bonuses or bonus adjustments due to extraordinary developments). Accordingly, the amount of the maximum remuneration includes the fixed salary, the one-year and multiple-year variable remuneration components (STI and LTI and also including any special bonuses), some conditional, earned for the relevant fiscal year, all fringe benefits and the service cost for pension commitments.

The remuneration, some conditional, earned by the entire board of management in the fiscal year 2022 amounts to €7 million in total and is therefore below the remuneration ceiling.

Malus and clawback provisions

Subject to the contractual provisions, the supervisory board is able under certain conditions to retain variable remuneration components that have not yet been paid out (“malus”) or – to the extent they have already been paid out – to reclaim such components (“clawback”).

In the fiscal year 2022, the supervisory board of Porsche SE did not retain or reclaim any variable remuneration components from individual members of the board of management.

7. Remuneration of former board of management members in the fiscal year 2022

In connection with Mr. von Hagen leaving the board of management as of 30 June 2020, it was agreed in the fiscal year 2020 that the benefits to which he is entitled under his service contract would be honored in full until the end of the term of the contract on 28 February 2021. In this connection, a total lump-sum bonus amount (STI and LTI) of €250 thousand was determined for the fiscal year 2021 (pro rata temporis). When they fall due is determined according to the usual points in time agreed in the service contract; the disbursement requirements (positive group result before tax and – in the case of the long-term variable remuneration – also positive net liquidity of Porsche SE) no longer apply.

As a result, in the fiscal year 2022 Mr. von Hagen received a short-term variable remuneration for the fiscal year 2021 of €17 thousand as well as long-term variable remuneration for the fiscal year 2019 of €150 thousand. The remuneration awarded and due in the fiscal year 2022 thus amounted to €167 thousand, comprising 100% variable remuneration components.

The LTI 2019 was determined by the supervisory board in 2020 based on former remuneration principles (see “III. 2. Components of board of management remuneration in the fiscal year 2022 variable remuneration section (former remuneration principles relevant in the reporting year)”). The individual performance targets of Mr. von Hagen comprised the successful heading and organizational as well as personal-related further development of investment management, the further development and operationalization of the investment strategy, the further development of the positioning of Porsche SE on the capital market as a powerful investment platform as well as the management and organization of the leadership of the investments being controlled. In this regard, the supervisory board discussed the performance targets in detail in the fiscal year 2020. A decision on their achievement was made at its due discretion on the basis of an assessment of Mr. von Hagen's individual performance. With regard to the LTI 2019, the supervisory board awarded a bonus of €150 thousand (maximum bonus amount: €180 thousand).

The former board of management member Mr. Müller was awarded remuneration of €5 thousand in the fiscal year 2022 in the form of a car for private use, to which he is entitled in accordance with his former service agreement. The remuneration is thus made up entirely of fixed remuneration components.

IV. Remuneration of the supervisory board

Supervisory board remuneration system in the fiscal year 2022

The remuneration of Porsche SE's supervisory board members is governed by Art. 13 of the articles of association and is described in the remuneration system for supervisory board members, which was confirmed by the annual general meeting in the fiscal year 2021. For their work, the members of the supervisory board exclusively receive fixed remuneration, the amount of which depends specifically on the tasks assumed on the supervisory board and its committees.

According to the provisions set out in the articles of association, the annual basic remuneration is €150 thousand for the chairman of the supervisory board, €100 thousand for his deputy and €75 thousand for every other member of the supervisory board. The chairman of the audit committee receives an additional €100 thousand annually and every other member of the audit committee each receives an additional €50 thousand annually. For the activities undertaken on the committees other than the nominations committee and the investment committee (currently not established), the chairman receives an additional €50 thousand and every other member an additional €25 thousand each. If a member of the supervisory board holds more than two offices on committees at the same time, that member receives only the remuneration for the two most highly remunerated offices.

Supervisory board members who are members of the supervisory board or of a committee or who act as (deputy) chairman for only a part of a fiscal year receive reduced remuneration proportionate to that period.

The members of the supervisory board are also covered by a D&O insurance policy maintained by the company; the premiums of the D&O insurance are paid by Porsche SE. In addition, the company reimburses each supervisory board member for his/her expenses as well as for any value added tax legally owed on his/her remuneration or on the reimbursement of his/her expenses.

The fixed remuneration is due and payable after each fiscal year ends. Expenses shall be reimbursed without undue delay. There are no further postponement periods for the payment of remuneration components.

The remuneration system for the supervisory board is to allow the company to continue to attract and retain independent, qualified candidates with valuable specialist and industry-specific expertise for its supervisory board. This is a prerequisite for the supervisory board to engage in its advisory and monitoring activities in the best possible way. The remuneration is set and designed in a way that materially promotes the strategy and long-term development of Porsche SE.

Awarded and due remuneration of the supervisory board members active in the fiscal year 2022

The remuneration for the current members of Porsche SE's supervisory board presented below relates to the remuneration awarded and due in the fiscal year 2022 or 2021, relating to the amounts actually received for their service on the supervisory board as well as for their service on committees of the supervisory board of Porsche SE in the fiscal year 2021 or 2020.

€ thousand	Fixed compensation (2022)	Remuneration for committee activities (2022)	Total (2022)	Total (2021)
Dr. Wolfgang Porsche	150	50	200	200
Dr. Hans Michel Piëch	100	75	175	175
Prof. Dr. Ulrich Lehner	75	100	175	175
Dr. Ferdinand Oliver Porsche	75	75	150	150
Mag. Josef Michael Ahorner	75		75	75
Mag. Marianne Heiß	75		75	75
Dr. Günther Horvath	75		75	75
Dr. Stefan Piëch	75		75	75
Peter Daniell Porsche	75		75	75
Prof. KR Ing. Siegfried Wolf	75		75	75
Total	**850**	**300**	**1,150**	**1,150**

As a result of setting up a committee with respect to the particular importance of the acquisition of ordinary shares in Porsche AG, there will be changes in the amount of remuneration regarding the remuneration awarded in the fiscal year 2023, relating to the amounts actually received for serving on the supervisory board as well as for serving on committees of the supervisory board of Porsche SE in the fiscal year 2022. This leads to the remuneration for committee activity increasing in the fiscal year 2023 to €66 thousand for Dr. Wolfgang Porsche, to €82 thousand for Dr. Ferdinand Oliver Porsche, to €16 thousand for Mr. Günther Horvath and to €16 thousand for Mr. Stefan Piëch.

V. Comparative presentation of the annual change in remuneration of members of the board of management and supervisory board to the earnings development of the company and to the average remuneration of employees at Porsche SE

The table below presents the percentage change in the remuneration of current or former board of management members awarded and due in each fiscal year, the earnings situation of Porsche SE and the average remuneration of full-time-equivalents at Porsche SE.

The development of the board of management's and the supervisory board's remuneration is based on the remuneration awarded and due within the meaning of Sec. 162 (1) Sentence 1 AktG, as stated in section "III. 4. Awarded and due remuneration of the board of management members active in the fiscal year 2022" and "III. 7 Remuneration of former board of management members in the fiscal year 2022" or "IV. Remuneration of the supervisory board".

The earnings development of the company is generally presented using the development of net income for the year of Porsche SE pursuant to Sec. 275 (2) No. 17 HGB. As the group result after tax of Porsche SE serves as a key performance indicator and also influences the variable remuneration of the board of management, the development of the group result after tax is also presented.

For the development of the average remuneration of the employees, the group of employees at Porsche SE below the board of management, i.e., including the first management level (but not including the employees of group companies), is used as a basis. The remuneration of part-time staff is extrapolated to full-time equivalents.

	Annual change 2022 vs. 2021	Annual change 2021 vs. 2020	Annual change 2020 vs. 2019	Annual change 2019 vs. 2018	Annual change 2018 vs. 2017
Remuneration of the board of management					
Hans Dieter Pötsch	39.0%	–7.4%	–1.0%	–5.8%	3.9%
Dr. Manfred Döss	3.9%	43.1%	–3.1%	–17.1%	0.7%
Dr. Johannes Lattwein (since 1/2/2022)					
Lutz Meschke (since 1/7/2020)	14.3%	123.6%[1]			
Philipp von Hagen (until 30/6/2020)	–52.2%[1]	–60.5%[1]	0.2%	3.4%	–3.3%
Matthias Müller (until 30/4/2018)		–100.0%[1]	–58.5%[1]	–99.0%[1]	18.7%[1]
Remuneration of the supervisory board					
Dr. Wolfgang Porsche	0.0%	0.0%	0.0%	50.2%	–7.4%
Dr. Hans Michel Piëch	0.0%	0.0%	0.0%	103.1%	–12.9%
Prof. Dr. Ulrich Lehner	0.0%	0.0%	0.0%	31.5%	–3.4%
Dr. Ferdinand Oliver Porsche	0.0%	0.0%	0.0%	50.2%	–13.4%
Mag. Josef Michael Ahorner (since 4/7/2018)	0.0%	0.0%	101.7%[1]		
Mag. Marianne Heiß (since 15/5/2018)	0.0%	0.0%	58.0%[1]		
Dr. Günther Horvath (since 13/3/2018)	0.0%	0.0%	24.1%[1]		
Dr. Stefan Piëch (since 4/7/2018)	0.0%	0.0%	101.7%[1]		
Peter Daniell Porsche (since 4/7/2018)	0.0%	0.0%	101.7%[1]		
Prof. KR Ing. Siegfried Wolf (since 11/4/2019)	0.0%	37.7%[1]			
Earnings performance					
Annual result of Porsche SE (HGB)	398.0%	17.2%	–10.8%	64.1%	104.5%
Group result after tax of Porsche SE	4.8%	74.0%	–40.5%	26.3%	6.5%
Development of the average remuneration of the employees					
Total workforce Porsche SE	14.4%	1.7%	4.9%	–3.7%	0.6%

[1] Changes largely result from the time of joining or in connection with leaving the board of management or supervisory board.

Stuttgart, 17 March 2023
Porsche Automobil Holding SE

The board of management

The supervisory board

On completion of our audit, we issued an auditor's report dated 17 March 2022 in German language. The following text is a translation of this auditor's report. The German text is authoritative:

Auditor's report

To Porsche Automobil Holding SE, Stuttgart

We have audited the remuneration report of Porsche Automobil Holding SE, Stuttgart, for the financial year from 1 January 1 to 31 December 2022 including the related disclosures, which was prepared to comply with § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act].

Responsibilities of the Executive Directors and the Supervisory Board

The executive directors and the supervisory board of Porsche Automobil Holding SE are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts including the related disclosures stated in the remuneration report. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatement of the remuneration report including the related disclosures, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive directors and the supervisory board, as well as evaluating the overall presentation of remuneration report including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, based on the findings of our audit, the remuneration report for the financial year from 1 January to 31 December 2022, including the related disclosures, complies in all material respects with the accounting provisions of § 162 AktG.

Reference to an Other Matter – Formal Audit of the Remuneration Report according to § 162 AktG

The audit of the content of the remuneration report described in this auditor's report includes the formal audit of the remuneration report required by § 162 Abs. [paragraph] 3 AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the content of the remuneration report, this audit opinion includes that the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report.

Restriction on use

We issue this auditor's report on the basis of the engagement agreed with Porsche Automobil Holding SE. The audit has been performed only for purposes of the company and the auditor‘s report is solely intended to inform the company as to the results of the audit. Our responsibility for the audit and for our auditor's report is only towards the company in accordance with this engagement. The auditor's report is not intended for any third parties to base any (financial) decisions thereon. We do not assume any responsibility, duty of care or liability towards third parties; no third parties are included in the scope of protection of the underlying engagement. § 334 BGB [Bürgerliches Gesetzbuch: German Civil Code], according to which objections arising from a contract may also be raised against third parties, is not waived.

Stuttgart, 17 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Frank Hübner	Jürgen Berghaus
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Porsche SE share

Stock markets[1]

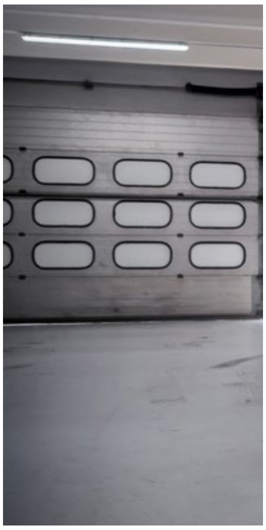
The reporting year 2022 was politically and economically shaped by the Russia-Ukraine conflict and its global impact. The resulting uncertainty, soaring commodity prices, a potential gas shortage in Europe and an inflation rate exceeding 10% in some countries in the eurozone caused a challenging financial market environment with corresponding price losses in the popular asset classes. These developments were exacerbated by the European Central Bank and the US Federal Reserve raising interest rates. The spillover effects from the Covid-19 pandemic, especially restrictions in supply chains, also continued to be felt. This caused many companies in the manufacturing industry, the automotive industry in particular, to struggle with the persistent semiconductor shortage.

The German stock index (DAX) was directly affected by the negative developments on the international financial markets in 2022 due to the geographical proximity. After reaching its annual high of 16,271.75 points on 5 January, the index fell steadily, hitting its annual low of 11,975.55 points on 29 September. After a consolidation phase, DAX stood at 13,923.59 points at year-end – down 1,961.27 points or 12.35% from its closing price on 30 December 2021 (15,884.86 points).

The Euro Stoxx 50 closed 2022 at 3,793.62 points, a decrease of 11.74% compared to the closing price for 2021 (4,298.41 points). The annual high of 4,392.15 points was recorded on 5 January. The annual low of 3,279.04 points was recorded on 29 September.

In the fiscal year 2022, the price of the Porsche SE preference share was in line with the general market development following an annual high of €94.94 on 23 February. On 28 December, it reached its annual low of €50.20. At year-end 2022, the share price stood at €51.24.

[1] Xetra trading, all disclosures with regard to the respective closing price



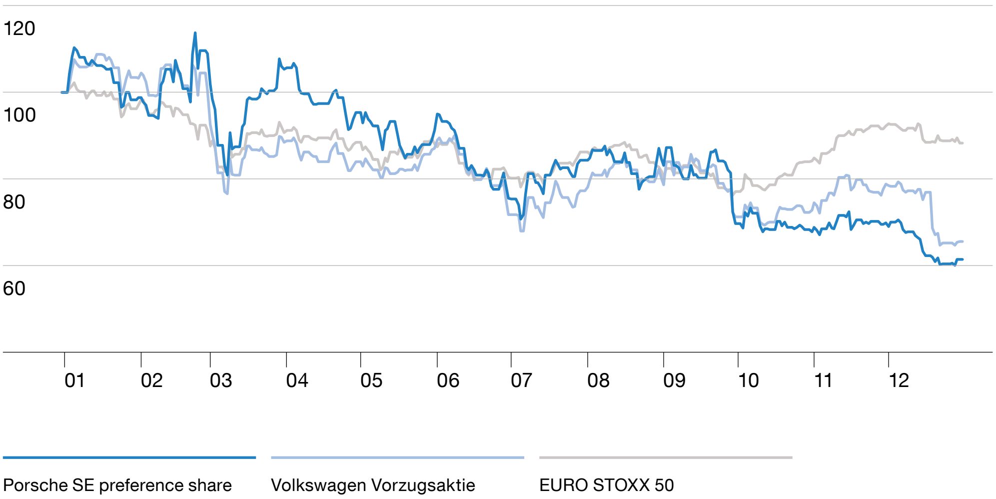
2022 annual general meeting

Porsche SE's annual general meeting was held on 13 May 2022 – virtually as in the prior years. The shareholders resolved to distribute a dividend of €2.56 per preference share and of €2.554 per ordinary share for the fiscal year 2021. This corresponds to an increase in the payout of around 16% on the prior year to €783 million (prior year: €676 million).

In addition, the shareholders re-elected four supervisory board members: Dr. Wolfgang Porsche, Dr. Hans Michel Piëch, Prof. Dr. Ulrich Lehner and Dr. Ferdinand Oliver Porsche. At the constituent supervisory board meeting directly after the annual general meeting, the oversight body confirmed Dr. Wolfgang Porsche as chairman of the supervisory board and Dr. Hans Michel Piëch as deputy chairman.

The members of the board of management and those of the supervisory board holding office in the fiscal year 2021 were exonerated.

Development of the Porsche SE preference share price 2022
(indexed to 31 December 2021)



Porsche SE preference share: basic data

ISIN	DE000PAH0038
WKN	PAH003
Stock codes	PSHG_p.DE, PAH3:GR
Stock exchange	All German stock exchanges
Trading segment	General Standard
Sector	Automotive
Key indices	DAX, CDAX, General All Share, MSCI Euro Index, STOXX Europe 600 Index, STOXX All Europe 800, EURO STOXX Auto & Parts
Subscribed capital[1]	€306,250,000
Denomination	153,125,000 ordinary and preference shares respectively
Class of shares	No-par value bearer shares

[1] Of which half as ordinary shares

Shareholder composition

Porsche SE's subscribed capital in the form of no-par value bearer shares comprises 153,125,000 ordinary shares and 153,125,000 non-voting preference shares, each share arithmetically representing a 1 euro notional value of the share capital.

Significantly more than half of the preference shares are held by institutional investors, the majority of which are based outside of Germany. Private investors in Porsche SE's preference shares are largely based in Germany.

Porsche SE share key figures

		2022	2021	2020
Closing price[1,2]	€	51.24	83.44	56.40
Annual high[1,2]	€	94.94	101.20	69.86
Annual low[1,2]	€	50.20	54.98	30.27
Number of ordinary shares issued (31 December)		153,125,000	153,125,000	153,125,000
Number of preference shares issued (31 December)		153,125,000	153,125,000	153,125,000
Market capitalization (31 December)[3]	€	15,692,250,000	25,553,500,000	17,272,500,000
Earnings per ordinary share from continuing operations[4]	€	15.31	14.90	8.59
Earnings per preference share from continuing operations[4]	€	15.32	14.90	8.59
Dividend per ordinary share	€	2.554[5]	2.554	2.204
Dividend per preference share	€	2.560[5]	2.560	2.210

1 Preference share in Xetra trading
2 Based on the closing price
3 Assuming ordinary shares are valued at the market price of the preference shares
4 Basic and diluted
5 Proposal to the annual general meeting of Porsche SE

Investor relations activities

The board of management and the investor relations department of Porsche SE maintained intensive contact with analysts and investors in the fiscal year 2022. In order to meet the information needs of capital market participants as far as possible, the investor relations team made increased use of digital communication channels such as virtual meetings or conference calls in addition to face-to-face events and roadshows.

The aim of our investor relations work was and is to inform the market participants on the equity and debt side about the latest business developments, the investment strategy as well as the status of the legal proceedings of Porsche SE.

Sustainability aspects and ESG topics are becoming increasingly important in investor relations work. For instance, Porsche SE decided not to produce a printed version of its annual report for sustainability reasons. The current and previous annual reports are available for download on the website:

https://www.porsche-se.com/en/investor-relations/financial-publications

Group management report and management report of Porsche Automobil Holding SE

2

Group management report and management report of Porsche Automobil Holding SE

Fundamental information about the group

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 December 2022, the Porsche SE Group had 38 employees (882 employees).

The business activities of Porsche SE include in particular the acquisition, holding and management as well as the disposal of investments.

The Porsche SE Group is made up of the fully consolidated subsidiaries Porsche Beteiligung GmbH, Stuttgart, Porsche Zweite Beteiligung GmbH, Stuttgart, Porsche Dritte Beteiligung GmbH, Stuttgart, and Porsche Vierte Beteiligung GmbH, Stuttgart. The investments in Volkswagen Aktiengesellschaft, Wolfsburg ("Volkswagen AG", "Volkswagen" or "VW"), Dr. Ing. h.c. F. Porsche AG, Stuttgart ("Porsche AG"), European Transport Solutions S.à r.l., Luxembourg, Luxembourg ("ETS"), as well as INRIX Inc., Kirkland, Washington, USA ("INRIX"), are included in Porsche SE's IFRS consolidated financial statements as associates.

The management report for Porsche SE and the group management report for the Porsche SE Group are combined in this report ("combined management report").

Investment management of Porsche SE

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 AG, 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., 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 (see section "Significant events and developments at the Porsche SE Group"). 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

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.

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.

Core management and financial indicator system

Porsche SE's main corporate goal is to invest in companies that contribute to the mid- and long-term profitability of the Porsche SE Group while securing sufficient liquidity. In line with this corporate goal, the IFRS group result after tax and group net liquidity are the core management indicators in the Porsche SE Group.

By definition, net liquidity of the Porsche SE Group is calculated as cash and cash equivalents, time deposits and securities derived from the consolidated balance sheet less financial liabilities.

The management of the Porsche SE Group comprises Porsche SE and the consolidated entities. There is therefore no separate management and forecast of the core management indicators for Porsche SE.

The planning and budgeting process implemented in the Porsche SE Group is designed to enable management to take its decisions on the basis of the development of these indicators. In this context, an integrated multi-year plan is prepared for the results of operations, financial position and net assets of the Porsche SE Group.

In the course of the year, the development of the indicators is continuously tracked and made available to the board of management and supervisory board in regular reports. The reporting includes in particular the consolidated financial statement reports for the Porsche SE Group as well as risk reports.

Report on economic position

Significant events and developments at the Porsche SE Group

Russia-Ukraine conflict / Covid-19 pandemic

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. The Russia-Ukraine conflict led to increased uncertainty in respect of 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 gas deliveries to Europe. The resulting increase in energy prices and intensified supply shortages had a sustained impact on inflation in Europe particularly.

During 2022, the restrictive measures put in place to protect the population from the SARS-CoV-2 virus were lifted to a large extent in many countries. The progress made in administering vaccines to the public had a positive effect, while the emergence of the new Omicron variant and its subvariants led to a renewed sharp rise in infections on a national scale, mostly causing milder symptoms but increased rates of sick leave. In China particularly, local outbreaks of infection in the course of 2022 led to tight restrictions under the zero-Covid strategy being pursued there, resulting in economic constraints and disruption to international supply chains. The departure from this strategy led to a rapid increase in infection rates in China at the end of the year.

Porsche SE is mainly affected by these developments indirectly via its investments in Volkswagen AG and in Porsche AG as well as with regard to the impact on interest rate development.

IPO of Porsche AG and acquisition of 25% plus one share of the ordinary shares of Porsche AG by Porsche SE

On 28 September 2022, Volkswagen placed 25% of the preference shares (including additional allocations) of its subsidiary Porsche AG with investors at a placement price of €82.50 per preference share. These preference shares have been traded on the regulated market of the Frankfurt Stock Exchange since 29 September 2022 (see also section “IPO of Porsche AG” in section “Significant events and developments at the Volkswagen Group”). The ordinary shares of Porsche AG are not listed.

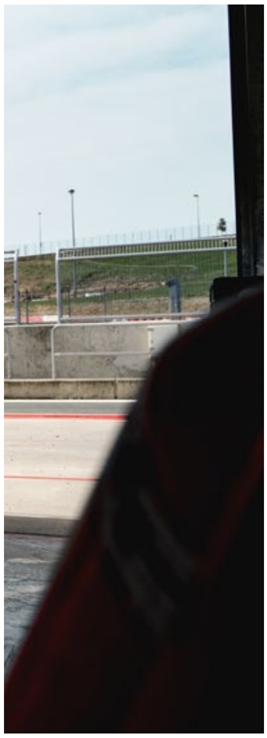
The basis for the IPO was a comprehensive agreement to enter into a number of contracts between Volkswagen and Porsche SE. In this context, both parties agreed, among other things, that Porsche SE acquire 25% plus one share of the ordinary shares of Porsche AG from Volkswagen. The price per ordinary share equaled the placement price per preference share plus a premium of 7.5%, and thus was €88.69. The total price for 25% plus one share of the ordinary shares of Porsche AG thus amounted to €10.1 billion. The remaining shares of Porsche AG’s preference and ordinary share capital continue to be held by Volkswagen Group companies.

Porsche SE acquired a total of 113,875,001 ordinary shares in two tranches, one of 79,712,501 shares (17.5% plus one share of the ordinary shares) and one of 34,162,500 shares (7.5% of the ordinary shares). The transfer of the first tranche of the ordinary shares was completed on 4 October 2022. The transfer of the second tranche was completed on 30 December 2022.

To enable the shareholders of Volkswagen AG to participate in the success of the entire transaction, the extraordinary general meeting of Volkswagen AG approved on 16 December 2022 to increase the dividend by €19.06 per dividend-bearing ordinary and dividend-bearing preference share (“special dividend”), which was paid out on 9 January 2023. Of this, €3.1 billion was attributable to Porsche SE without deduction of capital gains tax and solidarity surcharge.

The purchase price of the first tranche of around €7.1 billion was financed by raising debt capital in the same amount on 4 October 2022. For the ordinary shares of the second tranche, there was a purchase price liability to Volkswagen of around €3.0 billion as of 31 December 2022.

Porsche SE and Volkswagen agreed to offset the remaining purchase price obligation against Volkswagen AG of €3.0 billion with the dividend claim of Porsche SE against Volkswagen AG of €3.1 billion. In the consolidated financial statements as of 31 December 2022, the purchase price liability and the dividend receivable are therefore presented on a net basis. Upon payment of the special dividend on 9 January 2023, the set-off process was completed.

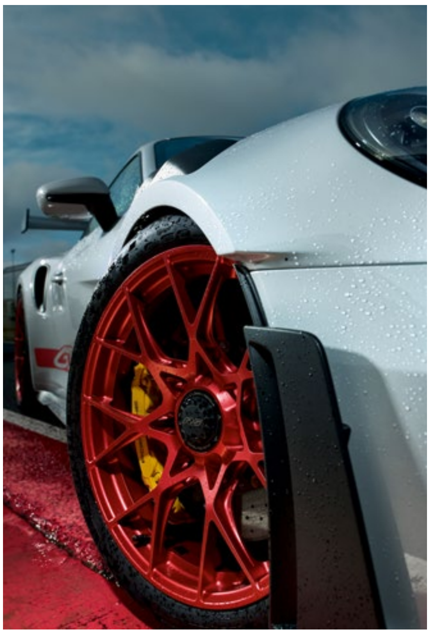


The debt financing was concluded with an international syndicate of banks and is subject to variable interest rates. The financing volume totaled €8.9 billion. Of this amount, €3.9 billion relates to bridge financing with a term of up to two years, €3 billion to a bank loan with a term of five years, €1 billion to a bank loan with a term of three years as well as €1 billion to a credit line with an initial term of three years. As of 31 December 2022, in addition to the credit line, €0.8 billion of the three-year bank loan had not been drawn. Porsche SE terminated this part of the three-year bank loan as of 20 January 2023.

The bridge financing of €3.9 billion was refinanced in March 2023 largely by placing a Schuldschein loan of around €2.7 billion (see section “Subsequent events”). There are plans to replace the remaining bridge financing by the end of the fiscal year 2023, partly by means of additional financial instruments.

To hedge interest rate risks, interest rate hedging instruments with a notional amount of €5.8 billion and terms of up to 5 years were concluded by 28 September 2022. The interest rate hedging was adjusted following the successful placement of the Schuldschein loan. The majority of these interest rate hedging instruments are accounted for using hedge accounting in accordance with IFRS 9.

Upon the price setting for the preference shares of Porsche AG, Porsche SE was subject to the full risk of a change in value associated with the 25% plus one share of the ordinary shares (around 12.5% of the share capital) of Porsche AG from 29 September 2022. As Porsche SE was also able to initiate an early transfer of the second tranche at any time and constituted significant influence, the investment (25% plus one share of the ordinary shares) in Porsche AG was accounted for at equity from 29 September 2022. In the consolidated balance sheet of Porsche SE, the investment was capitalized at cost of €10.1 billion including acquisition-related costs as of this point in time. In the fiscal year 2022, the result from the investment in Porsche AG accounted for at equity amounts to around €12 million after taking into account the subsequent effects from the provisional purchase price allocation. As of 31 December 2022, based on the market capitalization there was no indication 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. Risks that could lead to negative effects also include macroeconomic risks as a result of geopolitical tensions and conflicts, such as a further escalation of the Russia-Ukraine conflict or an aggravation of the situation in East Asia. Further risks could arise such as from protectionist tendencies, persistently high inflation, structural deficits of individual advanced economies, supply shortages, and a failure to contain the Covid-19 pandemic in a lasting way and tightening of environmental protection regulations. Please refer to the explanations in the section “Opportunities and risks of future development”.



Significant developments with regard to the investment in Volkswagen AG

In the period from 29 March 2022 to 6 May 2022, Porsche SE acquired preference shares of Volkswagen AG for €400 million via the capital market. This increased Porsche SE’s shareholding in Volkswagen AG to 31.9% of subscribed capital. Porsche SE’s shareholding in the ordinary shares of Volkswagen AG remains unchanged at 53.3%.

As a financing component for the acquisition of ordinary shares of Porsche AG (see section “IPO of Porsche AG and acquisition of 25% plus one share of the ordinary shares of Porsche AG by Porsche SE”), at the end of June 2022 the supervisory board of Porsche SE approved a disposal plan for up to 2.7 million preference shares of Volkswagen AG. As a result, the preference shares were presented separately pursuant to IFRS 5 as “Assets classified as held for sale” in the consolidated financial statements of Porsche SE and carried at the lower of the carrying amount and fair value less costs to sell. The ordinary shares of Volkswagen AG held by Porsche SE, on the other hand, continue to be accounted for at equity in the consolidated financial statements of Porsche SE.

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 after the end of the fiscal year 2022 that made a sale of the 2.7 million preference shares of Volkswagen AG held by Porsche SE as a financing component by June 2023 not seem highly probable anymore. In the fiscal year 2023, the preference shares were therefore no longer classified as assets held for sale. For further explanations and effects from the reclassification, please refer to the section “Subsequent events”.

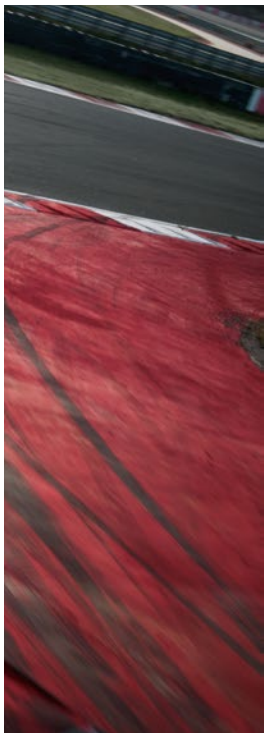
As a result of accounting for its ordinary shares of Volkswagen AG at equity, Porsche SE is significantly influenced by the developments at the level of the Volkswagen Group.

The group result after tax and non-controlling interests of the Volkswagen Group increased to €14.9 billion in the fiscal year 2022 compared to €14.8 billion in the prior-year period. From January to December 2022, negative special items in connection with the diesel issue affected the passenger cars business area's operating result in an amount of €0.4 billion (€0.8 billion). These special items were mainly attributable to additional expenses for legal risks. In addition to restrictions caused by parts supply shortages as well as the impact of the Russia-Ukraine conflict, the impairment loss recognized on the equity investment in Argo AI, LLC, Pittsburgh, USA ("Argo AI"), also had a particularly negative impact. An offsetting effect was largely generated by improved price positioning and product mix as well as positive effects from derivatives to which hedge accounting is not applied (see also section "Business development" as well as "Results of operations of the Volkswagen Group").

As of 31 December 2022, 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. Risks that could lead to negative effects also include macroeconomic risks as a result of geopolitical tensions and conflicts, such as a further escalation of the Russia-Ukraine conflict or an aggravation of the situation in East Asia. Further risks could arise such as from 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 and/or a further increase in the costs of mitigating the diesel issue. Please refer to the explanations in the section "Opportunities and risks of future development".

Sale of the share in PTV to Bridgepoint and further development of the investment in ETS

In October 2021, Bridgepoint Advisers Limited, London, UK ("Bridgepoint"), and Porsche SE entered into a partnership to advance the development of PTV Planung Transport Verkehr GmbH, Karlsruhe (formerly PTV Planung Transport Verkehr AG, Karlsruhe) ("PTV", together with its subsidiaries the "PTV Group"). In this connection, all shares of PTV held by Porsche SE were transferred to a subsidiary of ETS. At the same time, Porsche SE for its part acquired a 40% stake in ETS. The transaction was completed in January 2022 once all closing conditions had been fulfilled. Porsche SE received from this a cash inflow of around €0.2 billion in the first quarter of the fiscal year 2022.



As a result of the deconsolidation, around €0.1 billion in income was recorded in the result from discontinued operations. Since then, ETS has been accounted for at equity in the consolidated financial statements of Porsche SE.

At the beginning of June 2022, the indirect acquisition of all shares of Econolite Group, Inc., Anaheim, USA (“Econolite”), was completed by ETS. Together with PTV, this created a world-leading technological provider of forward-looking infrastructure and traffic solutions. To finance the purchase price, Porsche SE participated in a capital increase of ETS with an amount of around €35 million. In turn, the previous owners of Econolite acquired a non-controlling interest in ETS of around 10%, reducing Porsche SE’s stake in ETS through a dilution gain of around €1 million to around 35.5%.

In December 2022, the combination of ETS with Conundra BV, Oosterzele, Belgium (“Conundra”), was announced. Conundra develops software applications for route optimization when planning complex logistics and supply chain processes, supplementing the product of PTV in the area of logistics with Software as a Service applications.

As part of this combination with Conundra, the business divisions of ETS were reorganized into two separate groups for mobility and logistics. This focus will allow market-specific needs to be addressed even more precisely in the future, thereby supporting the growth of the two areas.

In the area of mobility, Econolite and PTV Mobility have combined forces to create the new brand “Umovity”. PTV Logistics and Conundra will operate under the brand PTV Logistics for the time being.

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 have been 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 yet inconsistent. 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 a currently suspended action concerning 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 and on 14 February 2023, one defendant requested to recuse two judges of the Higher Regional Court of Stuttgart for fear of bias. A decision on the motions to recuse is yet to be made. 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 211 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, 11 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 are currently suspended, whereby the majority of the suspended proceedings is 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 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.

In an additional appeal proceeding in which approximately €158 million (plus interest) in damages were claimed, the Higher Regional Court of Stuttgart dismissed the action by a legally binding decision of 12 April 2022 in its full amount for lack of a damage.

A KapMuG proceeding, initiated by order for reference of the Regional Court of Stuttgart of 28 February 2017, is pending before the Higher Regional Court of Stuttgart. On 22 October 2020, the Higher Regional Court of Stuttgart appointed a model case plaintiff. 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 reportings. The Higher Regional Court of Stuttgart has scheduled the announcement of a decision for 29 March 2023 during which it might issue a model case ruling. It is also possible that the Higher Regional Court of Stuttgart will issue an order to take evidence or will inform on its provisional legal position or the further proceedings in this case. Other hearings have not been scheduled yet.

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 hearings are set to take place on 23 and 24 May 2023. The Higher Regional Court of Braunschweig announced to present a program for taking evidence in these hearings should the model case parties do not indicate their willingness for out-of-court settlement efforts. 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 / semiconductor shortages

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.

In addition, the parts supply shortages intensified in this context directly after the start of the conflict. In the Volkswagen Group, this particularly affected the supply of cable harnesses from Ukraine. Volkswagen took immediate action to clear these supply bottlenecks from Ukraine, with the result that there are no material bottlenecks in this regard at present.

Moreover, different sanctions have been imposed on Russia as a result of the conflict, especially by the EU and the USA. They restrict economic transactions with Russia and have an impact on the Russian companies and plants of the Volkswagen Group and on sales of vehicles to Russia. The sanctions also affect the new financial services business of the Volkswagen Group in Russia and lead to impairment risks to existing lease assets and financial receivables. Against the backdrop of the Russia-Ukraine conflict and the resulting consequences, Volkswagen has decided to suspend vehicle production in Russia until further notice. Vehicle exports to Russia have also been halted. In addition, the respective sanction requirements are also being complied with in relation to the supply of spare parts and the provision of technical information. In addition, Russia itself, in its role as an energy exporter, has restricted gas deliveries to Europe. The resulting increase in commodity prices and intensified supply shortages are reinforcing the threat of persistently high inflation.

Russia’s partial mobilization on 21 September 2022 and the ensuing tightening of sanctions led to adjustments to the risk assessment of the Volkswagen Group in relation to the situation in Russia in the third quarter and to the potential future development of the group’s business activities in

Russia. Since there was no noticeable easing in the Russia-Ukraine conflict in the fourth quarter, the discontinuation of business activities in Russia took concrete shape in the Volkswagen Group. In this context, some companies have already been sold and further sale negotiations were initiated (see also section “Equity investments held for sale” in this section). Overall, comprehensive impairment losses on assets of production facilities and financial services companies as well as risk provisions, especially for third-party expenses expected from the discontinuation of activities in Russia, were recognized in the fiscal year.

Overall, total expenses of around €2 billion were recognized at the Volkswagen Group in the fiscal year as a direct result of the Russia-Ukraine conflict.

In addition, as a result of turbulence on the commodity and capital markets, the Volkswagen Group recognized total income of €3.7 billion primarily from fair value measurements and realizations of derivatives to which hedge accounting is not applied (especially commodity, currency and interest rate hedges).

In addition to uncertainty and measures being taken around the world to deal with the Covid-19 pandemic (see section “Significant events and developments at the Porsche SE Group”), persistent semiconductor supply shortages and the resulting limited availability of VW group models meant that demand could not be adequately met in some regions.

For further explanations, please refer to the section “Business development” and sections “Results of operations of the Volkswagen Group”, “Opportunities and risks of the Volkswagen Group” as well as “Anticipated development of the Volkswagen Group”.

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. In this context, Volkswagen AG announced that noticeable discrepancies between the figures recorded in testing and those measured in actual road use had been identified in type EA 189 diesel engines and that this engine type had been installed in roughly eleven million vehicles worldwide. 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.

The so-called diesel issue is rooted in a modification of parts of the software of the relevant engine control units – which, according to Volkswagen AG’s legal position, is only unlawful under US law – for the type EA 189 diesel engines that Volkswagen AG was developing at that time. This software function was developed and implemented from 2006 on without knowledge at the level of Volkswagen’s board of management. Members of the board of management did not learn of the development and implementation of this software function until the summer of 2015.

In the fiscal year 2022, special items of €0.4 billion were recognized in connection with the diesel issue at the level of the Volkswagen Group. These result from additional expenses, primarily for legal risks.

Antitrust investigations

In 2011, the European Commission conducted searches at European truck manufacturers for suspected unlawful exchange of information during the period from 1997 to 2011; in November 2014, the Commission issued a statement of objections to MAN, Scania, and the other truck manufacturers concerned. In its settlement decision of July 2016, the European Commission assessed fines against five European truck manufacturers. MAN's fine was waived in full as the company had informed the European Commission about the irregularities as a key witness. In September 2017, the European Commission fined Scania €0.88 billion. Scania appealed to the European Court of Justice in Luxembourg and mounted a comprehensive defense. In a judgment rendered in February 2022, the European General Court (Court of First Instance) rejected in its entirety the appeal filed by Scania in this connection. Scania appealed this judgment to the European Court of Justice in April 2022. Scania had already recognized a provision of €0.4 billion in 2016 and increased this provision to approximately €0.9 billion in 2021.

Furthermore, antitrust lawsuits seeking damages have been received from customers. As is the case in any antitrust proceedings, this may result in further lawsuits for damages. No provisions have been recognized or contingent liabilities disclosed for these cases as most of them are still in an early stage and currently cannot be assessed for this reason. In other cases, the chance of a decision by a court of last resort awarding antitrust damages against MAN or Scania currently appears remote.

In July 2021, the European Commission assessed a fine totaling €502 million against Volkswagen AG, AUDI AG and Porsche AG pursuant to a settlement decision. In the prior year, this amount was recognized under other operating expenses in the Volkswagen Group. Volkswagen declined to file an appeal, hence the decision became final in 2021. The subject matter scope of the decision is limited to the cooperation of German automobile manufacturers on individual technical questions in connection with the development and introduction of SCR (selective catalytic reduction) systems for passenger cars that were sold in the European Economic Area. The manufacturers are not charged with any other misconduct such as price fixing or allocating markets and customers.

The Korean competition authority KFTC is analyzing potential violations based on the facts of the EU case. The final report of the KFTC's appointed case handler was issued in November 2021. Volkswagen, Audi, and Porsche have replied to this report. In February 2023, the KFTC published a press release stating that an administrative fine decision would be issued against four automobile manufacturers in the SCR context. According to the press release, no fine is to be imposed on Volkswagen AG and the decision would not affect Porsche AG. However, an administrative fine decision would be issued against AUDI AG in the SCR matter. The competition authority's final decision and the grounds thereof have not yet been served; service is currently expected in the first half of 2023. The Turkish competition authorities, who investigated similar matters, issued a final decision in January 2022 in which they determined anticompetitive behavior to allegedly exist, but found that it had no effect on Türkiye, for which reason they refrained from imposing fines on the German automakers. Volkswagen, Audi, and Porsche are currently considering whether to file an appeal. Based on comparable matters, the Chinese competition authority has instituted proceedings against Volkswagen, Audi, and Porsche, among others, and issued requests for information.

IPO of Porsche AG

On 28 September 2022, as part of the IPO of Porsche AG, a total of 113,875,000 preference shares of Porsche AG were successfully placed with investors at a placement price of €82.50 per preference share, totaling around €9.4 billion – including 14,853,260 preference shares to cover potential additional allocations. The non-voting no-par value bearer shares came from the portfolio of Porsche Holding Stuttgart GmbH, Stuttgart – a wholly owned subsidiary of Volkswagen AG. The total number of preference shares offered in the IPO corresponded to up to 25% of the preference share capital of Porsche AG (including additional allocations). The non-voting preference shares of Porsche AG have been traded on the regulated market of the Frankfurt Stock Exchange since 29 September 2022. Up to the early termination of the stabilization period on 11 October 2022, a total of 3,794,199 preference shares had been bought back on the market. The free float of the preference shares after the end of the stabilization period is therefore 24.2% and comprises 110,080,801 preference shares.

In connection with the IPO, Volkswagen additionally sold an interest of 25% of Porsche AG's ordinary shares plus one ordinary share to Porsche SE for a purchase price of around €10.1 billion (see section "Significant events and developments at the Porsche SE Group").

As a result of the transactions, the Volkswagen Group's equity increased by €19.1 billion, net of bank commissions and fees of €0.1 billion taken directly to equity; of this amount, €10.8 billion is reported as non-controlling interests. The cash inflow for the preference shares and the first tranche of the ordinary shares occurred at the beginning of the fourth quarter of 2022.

The resolution of the extraordinary general meeting of Volkswagen AG on 16 December 2022 gave rise to the obligation to pay a special dividend and led to a total obligation to the shareholders of Volkswagen AG amounting to €9.6 billion. A corresponding liability was recognized for this payment as of the reporting date.

The employees of Volkswagen AG and Volkswagen Sachsen GmbH are to participate in the economic success of the placement of the preference shares and the sale of ordinary shares of Porsche AG by way of a one-off payment of up to €2,000 per employee. The total bonus for employees in connection with the IPO of Porsche AG amounted to €0.5 billion in the Volkswagen Group as of the reporting date.

Equity investments held for sale

In December, 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. As of the reporting date, the legal transfer of ownership of the Russian subsidiaries of Porsche AG 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 quarter of 2023.

It was resolved 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 body was immediately followed by the implementation of a disposal plan, which is expected to be completed in the first half of 2023.

On 15 December 2022, the supervisory board of Volkswagen AG resolved to sell the 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.

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

Takeover of Europcar

In 2021, together with investment firm Attestor Limited and Pon Holdings B.V., Volkswagen made a joint public takeover offer for the shares of Europcar Mobility Group S.A., Paris, France (“Europcar”), through the consortium company Green Mobility Holding S.A. (“GMH”) based in Strassen, Luxembourg. The European Commission issued final antitrust approval at the end of May 2022. During the extended offer period, the French Financial Markets Authority gave Europcar shareholders the opportunity to tender their shares to the consortium company. In total, 93.6% of Europcar’s shareholders accepted the offer. The consortium jointly assumed control of Europcar in mid-June 2022. Because the acceptance rate was over 90%, a squeeze-out was initiated for the remaining Europcar shares in July 2022, and the company was delisted. Since 13 July 2022, the consortium company has held 100% of the shares in Europcar. The purchase price was 51 cents per Europcar share.

At the end of June 2022, the entire portion of the purchase price attributable to Volkswagen, amounting to €1.7 billion, was contributed to GMH. Since joint control has been contractually agreed, the company, in which Volkswagen holds 66% of the shares, will be accounted for at equity in the Volkswagen consolidated financial statements. In addition, Volkswagen is the writer of put options held by the other members of the consortium, and the other members have granted Volkswagen call options on their shares in the consortium company. The long-term extension of the Attestor options was arranged in December 2022. In the reporting year, the measurement of the options led to a total non-cash expense of €0.3 billion at the level of the Volkswagen Group.

Brose Sitech Sp. z o.o. transaction

Following the fulfillment of all closing conditions, Brose Fahrzeugteile SE & Co. Kommanditgesellschaft (“Brose”) and Volkswagen Finance Luxemburg S.A., a subsidiary of Volkswagen AG, created a jointly operated company in early 2022 for the development and manufacture of complete seat units, seat structures and components, and solutions for vehicle interiors. As part of this arrangement, Brose acquired half of the shares in the previous Volkswagen Group company SITECH Sp. z o.o., Polkowice, Poland. Brose and Volkswagen each hold 50% of the jointly operated company – Brose Sitech Sp. z o.o. – with Brose taking the industrial lead and controlling the company. Given its significant influence, Volkswagen accounts for Brose Sitech as an associate at equity. The change in the accounting policy did not have any material effect on the Volkswagen Group’s profit or loss.

Acquisition of Navistar

On 1 July 2021, a TRATON GROUP company acquired all of the outstanding shares in Navistar International Corporation (“Navistar”), a US manufacturer of commercial vehicles based in Lisle, Illinois, USA. Due to the size of the transaction, it was not possible to complete the in-house reviews of the information underlying the purchase price allocation until the current fiscal year. The update to the purchase price allocation did not materially affect the results of operations, financial position and net assets of the Volkswagen Group.

Impairment of Argo AI

In the third quarter of 2022, Volkswagen took the strategic decision not to make further investments in Argo AI to develop autonomous driving. Since Argo AI had previously been unable to win new investors and no returns were consequently expected, an impairment loss on the entire interest was therefore recognized. This resulted in an expense of €1.9 billion at the level of the Volkswagen Group in the fiscal year 2022. There are plans to liquidate Argo AI. For this purpose, Volkswagen provided Argo AI with US$50 million in January 2023. In addition, Volkswagen is in negotiations to acquire Argo AI personnel and assets.

Business development

The business development of the Porsche SE Group is largely shaped by its investment in Volkswagen AG as well as the development of the actions pending. For the business development of the Porsche SE Group, please refer to the sections “Significant events and developments at the Porsche SE Group” and “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

In the reporting year, general economic development was primarily shaped by the Russia-Ukraine conflict and the course of the Covid-19 pandemic (see also section “Significant events and developments at the Porsche SE Group” and “Significant events and developments at the Volkswagen Group”).

Following the slump in global economic output in 2020 and the incipient recovery due to base and catch-up effects in 2021, the global economy recorded growth of 3.0% overall (plus 6.0%) in 2022. Both the advanced economies and the emerging markets continued to recover on average, albeit with diminishing momentum and slower growth overall than in the prior year.

At national level, developments depended on the one hand on the scale of the negative impact of the Covid-19 pandemic and the intensity with which measures were taken to contain it. On the other hand, developments depended on the extent to which national economies were affected by the consequences of the Russia-Ukraine conflict. In response to the further rise of inflation rates around the world, many countries shifted to a more restrictive monetary policy, which led central banks to increase their key interest rates and reduce bond purchases during the reporting period. The gloomier economic outlook resulted in large losses on major stock markets. On average, prices for energy and other commodities rose significantly in some cases year on year and shortages of certain intermediates and commodities remained high. Global trade in goods increased in 2022.

Trends in the markets for passenger cars and light commercial vehicles

In the fiscal year 2022, the volume of the passenger car market worldwide remained on a level with the prior year at 69.6 million vehicles. Gains and losses in individual markets were very uneven, since shortages and disruption in global supply chains, the effects of the Russia-Ukraine conflict and the further consequences of the Covid-19 pandemic varied around the world in terms of the strength of their impact. Shortages of semiconductors and other intermediates, which already occurred in the second half of 2021, and the resulting supply bottlenecks, could also not be fully resolved in 2022.

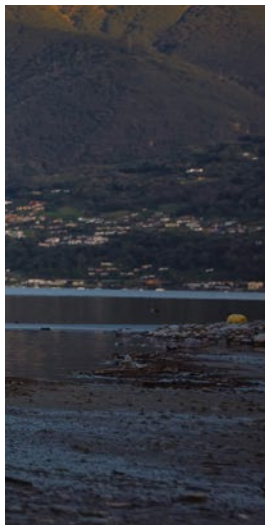
Slight or noticeable growth was recorded in the overall markets of the Asia-Pacific and Middle East regions respectively, while South America and Africa were on a level with the prior year. Sales fell in the remaining regions: while market volume was slightly down in Western Europe and noticeably down in North America, Central and Eastern Europe recorded a very strong decline.

In the reporting period, the global volume of new registrations for light commercial vehicles was slightly (down 3.0%) lower than in the prior year.

Trends in the markets for commercial vehicles

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

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes experienced noticeable growth in the fiscal year 2022 versus the comparison period (up 5.5%). Global truck markets declined sharply. This was due to upheaval on the Chinese market, which slumped dramatically on the back of purchases brought forward to 2021 prior to the introduction of the new emission level and due to the zero-Covid strategy pursued there.



Demand in the bus markets relevant for the Volkswagen Group was on a level with the prior year (up 0.3%).

Trends in the markets for financial services

Demand for automotive financial services was at a high level in the first quarters of 2022 due, among other things, to persistently low key interest rates in the main currency areas. In combination with the Covid-19 pandemic and continuing limits on vehicle availability, the rise in interest rates that began in the second half of the year put pressure on demand for financial services in almost all regions.

Volkswagen Group deliveries

The Volkswagen Group delivered 8.3 million vehicles to customers worldwide in the fiscal year 2022. This was 7.0% or 0.6 million units less than in the prior year. While sales figures for the passenger cars business area fell short of the prior-year figure, commercial vehicle deliveries to customers rose year on year, mainly due to the inclusion of Navistar as from 1 July 2021.

In the reporting period, limited vehicle availability as a result of the Covid-19 pandemic and bottlenecks in the supply of parts caused by the shortage of semiconductors and the Russia-Ukraine conflict had a negative impact. In addition, disruptions in logistics resulted in delays. While Porsche, Lamborghini and Bentley delivered a higher number of vehicles to customers, none of the other Volkswagen Group brands reached their prior-year figures. Volkswagen registered a year-on-year decline in sales in all regions.

With additional model launches as part of the group's e-mobility campaign, sales increased in the reporting period, bringing Volkswagen's deliveries of all-electric vehicles to 0.6 million units worldwide. This was 0.1 million or 26.3% more units than in the prior year. Their share of the Volkswagen Group's total deliveries rose to 6.9% (5.1%). A total of 0.2 million of Volkswagen's plug-in hybrid models were delivered (down 21.2%). Total electric vehicle deliveries went up by 7.0% and their share of total deliveries of the Volkswagen Group rose year on year to 9.9% (8.6%).

In an overall global market that was on a level with the prior year, Volkswagen achieved a passenger car market share of 11.0% (11.7%).

In the fiscal year 2022, the Volkswagen Group delivered 12.6% more commercial vehicles to customers worldwide than in the prior year. It delivered a total of 0.3 million commercial vehicles to customers.

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

	2022	2021	Change %
Regions			
Europe/Other markets	3,432,468	3,848,355	–10.8
North America	842,615	908,427	–7.2
South America	473,691	514,626	–8.0
Asia-Pacific	3,514,002	3,610,484	–2.7
Worldwide	**8,262,776**	**8,881,892**	**–7.0**
by brands			
Volkswagen passenger cars	4,563,340	4,896,874	–6.8
ŠKODA	731,262	878,202	–16.7
SEAT	385,592	470,531	–18.1
Volkswagen commercial vehicles	328,572	359,541	–8.6
Audi	1,614,231	1,680,512	–3.9
Lamborghini	9,233	8,405	9.9
Bentley	15,174	14,659	3.5
Porsche	309,884	301,915	2.6
Bugatti[2]	-	63	x
Passenger cars and light commercial vehicles total	**7,957,288**	**8,610,702**	**–7.6**
Scania	85,232	90,366	–5.7
MAN[3]	84,377	93,578	–9.8
Navistar	81,888	29,876	x
Volkswagen Truck & Bus[3]	53,991	57,370	–5.9
Commercial vehicles total	**305,488**	**271,190**	**12.6**

1 Prior-year deliveries have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures. As of 1 July 2021, the figures include Navistar.
2 Until 31 October 2021.
3 Until the first quarter of 2022, deliveries for Volkswagen Truck & Bus were reported within MAN.

Sales, production and inventories at the Volkswagen Group

The Volkswagen Group's unit sales to the dealer organization[1] decreased in the reporting period by 1.1% to 8.5 million units (including the equity-accounted companies in China). Of this, 314 thousand vehicles related to the Porsche AG Group (up 5.5% on the prior-year period). In the reporting period, limited vehicle availability as a result of the Covid-19 pandemic and bottlenecks in the supply of parts caused by the shortage of semiconductors and the Russia-Ukraine conflict had a negative impact. In addition, disruptions in logistics resulted in delays. Unit sales outside Germany fell by 1.7% to 7.5 million vehicles. The United Kingdom, Brazil and France were particularly affected, as was Russia, since vehicle exports to this region had been halted. Growth was recorded, however, in the USA, China and India. Unit sales in Germany increased by 3.3% year on year. The proportion of the group's total unit sales attributable to Germany increased to 11.9% (11.3%).

The Volkswagen Group produced 8.7 million vehicles (including the equity-accounted companies in China) from January to December 2022, 5.2% more than in the prior-year period. Of this, 321 thousand vehicles related to the Porsche AG Group (up 7.1% on the prior-year period). The shortage of semiconductors and the disruption of supply chains caused by the Russia-Ukraine conflict and the Covid-19 pandemic restricted production in the Volkswagen Group; the supply and production situation eased toward the end of the reporting period. Against the backdrop of the Russia-Ukraine conflict and the resulting consequences, Volkswagen decided to suspend the start of vehicle production in Russia until further notice. Production in Germany increased by 11.1% to 1.6 million vehicles in the fiscal year 2022. The proportion of the group's total production accounted for by Germany increased to 18.9% (17.9%).

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 2021. Disruptions in the logistics chain, among other factors, had a negative impact in the reporting period.

Volkswagen Group financial services

The products and services of the Volkswagen Group's financial services division were popular in the fiscal year 2022. However, demand was affected to varying degrees by the Covid-19 pandemic. Limited vehicle availability caused by parts supply shortages, and exacerbated by the Russia-Ukraine conflict, also weighed on demand. The number of new financing, leasing, service and insurance contracts signed worldwide fell by 0.7% to 8.5 million. The ratio of leased and financed vehicles to group deliveries (penetration rate) in the financial services division's markets stood at 32.6% (36.4%) in the reporting period. The total number of contracts on 31 December 2022 was 24.5 million (24.5 million).

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


T-ROC
WOB TR 300

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 fiscal year 2022 and as of 31 December 2022. While the prior-year figures for the results of operations relate to the period from 1 January to 31 December 2021, the financial position and net assets use figures as of 31 December 2021 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.

Following the sale of the share in PTV, it was deconsolidated at the beginning of January 2022. The shares of the portfolio investment ETS acquired in this context, which since then indirectly holds all shares of PTV, are accounted for at equity and allocated to the portfolio investments segment.

Results of operations of the Porsche SE Group

The result after tax of the Porsche SE Group came to €4,787 million (€4,566 million) in the fiscal year 2022. Of this, €4,690 million (€4,563 million) related to continuing operations and €96 million (€3 million) to discontinued operations. In turn, of the result after tax from continuing operations, €4,694 million (€4,575 million) relates to the core investments segment and minus €3 million (minus €12 million) to the portfolio investments segment. The combined group management report for the fiscal year 2021 forecast a group result after tax of between €4.1 billion and €6.1 billion for the fiscal year 2022. This was therefore within the corridor forecast.

Other comprehensive income of the Porsche SE Group of €3,657 million (€2,421 million) mainly contains effects resulting from the investment in Volkswagen AG accounted for at equity totaling €3,533 million (€2,454 million) after taking deferred tax into account. These largely relate to actuarial gains from the remeasurement of pension provisions of €3,249 million (€1,302 million), after taking deferred tax into account. Effects totaling €78 million resulting from the investment in Porsche AG accounted for at equity largely relate to the measurement of cash flow hedges of €148 million after taking deferred tax into account and to currency translation of minus €69 million. At the level of Porsche SE, other comprehensive income primarily contains income from the measurement of interest rate hedging instruments concluded by Porsche SE within hedge accounting in an amount of €90 million after taking deferred tax into account.

Consolidated income statement of Porsche SE by segment

€ million	Core investments	Portfolio investments	**Group 31/12/2022**	Group 31/12/2021
Result from investments accounted for at equity	4,536	–3	4,533	4,631
thereof Volkswagen AG	4,524		4,524	4,628
thereof Porsche AG	12		12	
thereof portfolio investments		–3	–3	3
Result from assets held for sale	22		22	
Income from investment valuation		12	12	5
Expenses from investment valuation		–11	–11	–22
Result from investments	**4,558**	**–2**	**4,555**	**4,615**
Other operating income	179	0	179	6
Personnel expenses	–17		–17	–15
Amortization and depreciation	–1		–1	–1
Other operating expenses	–24	–1	–25	–32
Result before financial result	**4,694**	**–3**	**4,691**	**4,572**
Financial result	–57		–57	–7
Result before tax	**4,638**	**–3**	**4,634**	**4,565**
Income tax	56	0	56	–3
Result after tax from continuing operations	**4,694**	**–3**	**4,690**	**4,563**
Result after tax from discontinued operations		96	96	3
Result after tax	**4,694**	**93**	**4,787**	**4,566**
Other comprehensive income	3,657	0	3,657	2,421
Consolidated total comprehensive income	**8,351**	**93**	**8,444**	**6,986**

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 €4,524 million (€4,628 million). This contains profit contributions from ongoing at equity accounting before purchase price allocations of €4,683 million (€4,660 million) as well as subsequent effects from purchase price allocations of minus €52 million (minus €32 million). The result of the Volkswagen Group was positively influenced by effects from the price positioning, the product mix as well as from derivatives to which hedge accounting is not applied. These factors were offset in particular by parts supply shortages, increased product costs as well as loss allowances and risk provisions in connection with the consequences of the Russia-Ukraine conflict and the equity investment in Argo AI (see section “Results of operations of the Volkswagen Group” below). There was also an increase in the tax expense and the share of the result of non-controlling interests. Furthermore, the result from the investment in Volkswagen accounted for at equity contains offsetting effects in a net amount of minus €108 million from the acquisition of 2.6 million preference shares of Volkswagen AG and the subsequent decision to sell 2.7 million preference shares as a financing component for the acquisition of the ordinary shares of Porsche AG. While the acquisition of around 2.6 million preference shares of Volkswagen AG led to positive effects from the recognition of a bargain purchase through profit or loss following a purchase price allocation, the measurement of around 2.7 million preference shares at market price following their classification as held for sale in accordance with IFRS 5 in June 2022 had a corresponding negative effect on earnings.

The investment in Porsche AG is accounted for using the equity method and was recognized on 29 September 2022 without affecting the consolidated income statement. In the course of a provisional purchase price allocation, the proportionate equity of Porsche AG attributable to Porsche SE was remeasured. Hidden reserves and liabilities identified in this context are subsequently measured in an ancillary calculation and recognized in the result from investments accounted for at equity. A significant portion of the purchase price was allocated to goodwill. Other significant hidden reserves identified relate to the brand, technologies, the dealer network, the order backlog as well as property, plant and equipment and inventories. In addition, in the course of the purchase price allocation, a profit and loss transfer obligation of Porsche AG to Volkswagen was recognized as a liability due to the domination and profit and loss transfer agreement between Porsche AG and Porsche Holding Stuttgart GmbH – a wholly owned subsidiary of Volkswagen AG – ended as of 31 December 2022. In the context of at equity accounting, the group result after tax of Porsche AG for the period from 29 September 2022 to

31 December 2022 is attributable to Porsche SE based on the capital share of 12.5%. Inversely, at the level of the Volkswagen Group parts of the group result after tax are allocated to the non-controlling interests (in Porsche AG), which reduced the result attributable to Porsche SE in the course of accounting for the investment in Volkswagen AG at equity accordingly. The result from the investment in Porsche AG accounted for at equity amounts to €12 million. This contains profit contributions from ongoing at equity accounting of €163 million as well as subsequent effects from the provisional purchase price allocation of minus €150 million.

The result from assets held for sale of €22 million comprise both expenses of minus €30 million from the measurement of Volkswagen preference shares held for sale at market price on the reporting date as well as income from the special dividend attributable to the preference shares of €51 million.

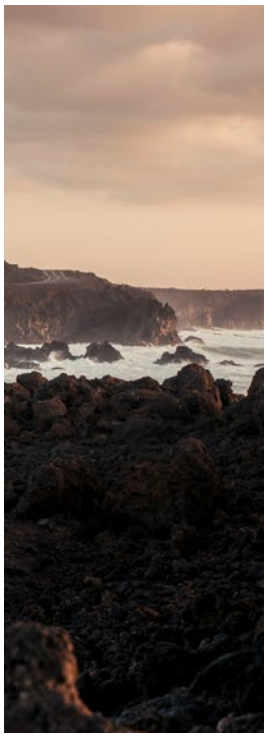
Of other operating income, an amount of €177 million relates to the proportionate realization of an intercompany profit that was eliminated in the fiscal year 2012. This intercompany profit was attributable to the contribution of the holding business operations of Porsche SE to Volkswagen AG in the fiscal year 2012. The contribution of the holding business operations of Porsche SE to Volkswagen AG primarily involved the transfer of the investment in Porsche Holding Stuttgart GmbH and all other investments of Porsche SE existing at that time (with the exception of the investment in Volkswagen AG). As Volkswagen AG has already been an associate of Porsche SE at that time, this intercompany profit had to be eliminated. This reduced the carrying amount of the investment in Volkswagen AG accounted for at equity in the consolidated financial statements of Porsche SE prior to the IPO of Porsche AG by €1,465 million. The sale of preference shares by the Volkswagen Group to third parties in the course of the IPO of Porsche AG triggered the proportionate realization of this intercompany profit.

Other operating expenses in the core investments segment decreased largely due to lower expenses year on year in connection with legal risks to a total of €24 million (€32 million).

The financial result of minus €57 million (minus €7 million) largely contains interest expenses from financing the acquisition of ordinary shares of Porsche AG of minus €63 million, commitment fees and transaction costs. On the other hand, the financial result contained income of €13 million from the fair value measurement of interest rate hedging instruments to which hedge accounting is not applied.

In the comparative period, the financial result mainly included expenses from expected interest payments for taxes from prior years.

The income tax income of €56 million (income tax expense of €3 million) comprises income from deferred taxes of €67 million (€1 million), which is largely attributable to the recognition of deferred tax assets on loss carryforwards, as well as an expense from current income taxes of €11 million (€4 million) mainly as a result of expected tax payments for the current fiscal year.

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 €3 million (€3 million) as well as income of €12 million (€5 million) and expenses of €11 million (€22 million) from the fair value measurement of portfolio companies. The result from investments accounted for at equity contains income of €7 million from the write-up of the investment in INRIX.

In the reporting period, the result after tax from discontinued operations contains the deconsolidation gain on disposal of the share in PTV of €96 million.

Financial position of the Porsche SE Group

Net liquidity of the Porsche SE Group, i.e., cash and cash equivalents, time deposits and securities less financial liabilities, decreased to minus €6,672 million (€641 million) compared to 31 December 2021. In the combined group management report for the fiscal year 2021 net liquidity of the Porsche SE Group as of 31 December 2022 was forecast to range between €0.6 billion and €1.1 billion. Against the backdrop of the acquisition of ordinary shares of Porsche AG using raised debt capital, on 28 September 2022, Porsche SE adjusted the forecast corridor to between minus €6.9 billion and minus €6.4 billion. Net liquidity was thus within this adjusted corridor.

Cash inflow from operating activities amounted to €791 million (€733 million) in the reporting period and largely contains the net dividend received after deduction of capital gains tax plus solidarity surcharge of the investment in Volkswagen AG of €884 million (prior year: €756 million; no capital gains tax was deducted). The gross dividend of €1,201 million attributable to Porsche SE was subject to capital gains tax plus solidarity surcharge of 26.375% or €317 million, which will lead to a corresponding tax refund in subsequent years. For the subsequent years, the dividends of the investments in Volkswagen AG and in Porsche AG are not expected to be subject to capital gains tax deduction. The special dividend approved by the extraordinary general meeting of Volkswagen AG on 16 December 2022, was paid out on 9 January 2023, which is why it was not reflected in the cash inflow for the fiscal year 2022. The cash inflow from operating activities was negatively impacted in the reporting year by interest paid including transaction costs in connection with the debt capital raised of €52 million (€1 million). In addition, cash outflows for expenses relating to holding business operations in particular had an offsetting effect in both the reporting and the comparative period.

In the fiscal year 2022, investing activities resulted in a cash outflow of €7,287 million, while there was a cash outflow of €4 million in the prior-year comparative period. The cash outflow in the reporting period is largely attributable to cash paid for the acquisition of the first tranche of shares of Porsche AG of €7,075 million (including acquisition-related costs). Further cash outflows result from acquiring additional preference shares of Volkswagen AG of €400 million, from participating in a capital increase of ETS of €35 million as well as from acquiring shares of portfolio investments or participating in subsequent financing rounds at portfolio investments totaling €14 million (€23 million). On the other hand, cash was received from the sale of the share in the PTV Group of €226 million less cash and cash equivalents of the PTV Group of €25 million disposed of in the course of the deconsolidation and from the partial sale of shares of portfolio investments in an amount of €2 million (€51 million). Furthermore, there were cash inflows from changes in investments in securities of €75 million (cash outflow of €3 million) as well as cash outflows from changes in investments in time deposits of €40 million (cash outflow of €28 million).

The largely debt-financed acquisition of ordinary shares of Porsche AG (see section “Significant events and developments at the Porsche SE Group”) led in the reporting year to a cash inflow from financing activities from raising debt capital for the purchase price payment of the first tranche of ordinary shares of Porsche AG of around €7.1 billion in a corresponding amount. Dividend payments to the shareholders of Porsche SE totaling €783 million (€679 million) had an offsetting effect.


IN SQ 813E

Cash and cash equivalents decreased to €86 million (€271 million) compared to 31 December 2021. In addition to that, Porsche SE has at its disposal an undrawn credit facility with a volume of €1 billion and an initial term until September 2025.

Net assets of the Porsche SE Group

Compared to 31 December 2021, the Porsche SE Group's total assets increased by €16.3 billion to €58.8 billion as of 31 December 2022.

The Porsche SE Group's non-current assets of €57.7 billion (€41.6 billion) primarily relate to the core investments accounted for at equity.

As of 29 September 2022, the investment in Porsche AG was recognized with an interest of 25% plus one share of the ordinary shares in the amount of the acquisition costs (including incidental acquisition costs) of €10.1 billion (see section "Significant events and developments at the Porsche SE Group"). As a result of at equity accounting until 31 December 2022, the carrying amount of the shares changed to €10.2 billion. Of the increase in the carrying amount, €163 million is attributable to the result from ongoing at equity accounting, minus €150 million to effects from the subsequent measurement of the hidden reserves and liabilities identified and €78 million to expenses and income recognized in other comprehensive income. These result primarily from positive effects from the measurement of hedges as well as negative effects from currency translation at the level of the Porsche AG Group.

In addition to this, the investments accounted for at equity above all include the carrying amount of the investment in Volkswagen AG accounted for at equity, which compared to 31 December 2021 increased by €5.7 billion to €47.2 billion. Of the increase in the carrying amount, €4,683 million is attributable to the result from ongoing at equity accounting, minus €52 million to effects from the subsequent measurement of the hidden reserves and liabilities identified and €3,533 million to other comprehensive income. The latter results primarily from positive effects from the measurement of pensions as well as from currency translation at the level of the Volkswagen Group. There was also an increase of €1,583 million in the carrying amount accounted for at equity reported directly in equity. This change primarily results from the increase directly in equity at the level of the Volkswagen Group (not including non-controlling interests) as a result of the IPO of Porsche AG and the sale of ordinary shares of Porsche AG to Porsche SE (see also section "IPO of Porsche AG" in section "Significant events and developments at the Volkswagen Group"). This increase was recognized directly in equity and resulted in a corresponding proportionate increase of the carrying amount of the investment in Volkswagen AG accounted for at equity which was recognized directly in equity as well in the consolidated financial statements of Porsche SE, unless it was attributable to the acquisition of ordinary shares of Porsche AG by Porsche SE. The carrying amount of the investment accounted for at equity was also increased in the amount of €177 million by the proportionate realization of the intercompany profit from the contribution of the holding business operations of Porsche SE to Volkswagen AG eliminated in the fiscal year 2012 (see section "Results of operations of the Porsche SE Group"). On the other hand, the carrying amount accounted for at equity was reduced by dividends from the dividend payment in May 2022 as well as the special dividend agreed on in December 2022 totaling €4,202 million as well as effects from the acquisition of around 2.6 million preference shares of Volkswagen AG carried out in the reporting period and the subsequent classification of around 2.7 million preference shares of Volkswagen AG as held for sale pursuant to IFRS 5 in an amount of minus €51 million.

The investments accounted for at equity also include the carrying amount of the investment in ETS of €107 million as well as the investment in INRIX of €10 million (€6 million).

The non-current other financial assets of €204 million (€45 million) include shares of portfolio investments of €59 million (€45 million) as well as interest rate hedging instruments of €142 million measured at fair value to which hedge accounting applies in most cases.

Current assets of €1,076 million (€960 million) mainly consist of income tax receivables, securities, time deposits, cash and cash equivalents and assets classified as held for sale. Income tax receivables totaling €316 million are largely attributable to withheld capital gains tax for dividend payments received from Volkswagen AG. As of 31 December 2022, the item “Assets classified as held for sale“ comprised around 2.7 million preference shares of Volkswagen AG. As of 31 December 2021, this had included the assets previously attributable to the PTV Group. Furthermore, current assets include a receivable of Porsche SE from Volkswagen AG of €22 million. This relates to the (special) dividend claim of Porsche SE against Volkswagen AG of €3.1 billion offset with the remaining purchase price liability from the acquisition of ordinary shares of Porsche AG of €3.0 billion as of the reporting date, which was presented on an net basis (see section “Significant events and developments at the Porsche SE Group”).

The equity of the Porsche SE Group increased to a total of €51.4 billion (€42.2 billion) due to the positive total comprehensive income as of 31 December 2022. The equity ratio decreased to 87.5% (99.2%) compared to the end of the fiscal year 2021, primarily due to the debt capital raised in connection with the acquisition of ordinary shares of Porsche AG.

Financial liabilities totaling €7.1 billion primarily result from raising debt capital to finance the acquisition of ordinary shares of Porsche AG (see section “Significant events and developments at the Porsche SE Group”).

Results of operations of the Volkswagen Group

The following statements relate to the original profit/loss figures of the Volkswagen Group in the fiscal year 2022. It should be noted that the group result of Porsche SE only reflects its capital share in the result of the Volkswagen Group in the course of at equity accounting. Furthermore, effects from at equity accounting in the consolidated financial statements of Porsche SE, particularly relating to the subsequent measurement of the hidden reserves and liabilities identified in the course of the purchase price allocations, are not taken into consideration in the explanations below.

In the period from January to December 2022, the Volkswagen Group generated revenue of €279.2 billion, up 11.6% on the prior-year figure. Improvements, above all in the price positioning, the product mix and exchange rate trends, as well as healthy business performance in the financial services division had a positive effect, while lower vehicle sales due to parts supply shortages had an adverse impact. Navistar, which has been consolidated since 1 July 2021, is included in the Volkswagen Group’s revenue in an amount of €10.7 billion (€3.6 billion). In the fiscal year 2022, 82.6% (82.3%) of the Volkswagen Group’s revenue originated abroad. Gross profit improved by €5.0 billion to €52.2 billion. The gross margin was 18.7% (18.9%).

The Volkswagen Group’s operating result before special items increased by €2.5 billion to €22.5 billion in the reporting year. The operating return on sales before special items amounted to 8.1% (8.0%). The rise in the operating result was mainly attributable to improved price positioning and the product mix. Positive effects amounting to €3.7 billion (€2.7 billion) from derivatives to which hedge accounting is not applied (in particular commodity, currency and interest rate hedges) boosted Volkswagen’s group result. These factors

were offset by increased product costs, especially for commodities, and expenses of around €2 billion relating to loss allowances and risk provisions as a consequence of the direct impact of the Russia-Ukraine conflict. In the reporting period, the passenger cars business area reported one-off expenses for restructuring measures at SEAT in an amount of €0.2 billion. In the prior year, one-off expenses had been incurred for restructuring measures in the commercial vehicles business area (€0.7 billion) as well as expenses in connection with the EU antitrust proceedings against Scania (€0.5 billion). An expense of €0.1 billion was recognized for transaction costs in connection with the IPO of Porsche AG. In addition, employees of Volkswagen AG, Volkswagen Sachsen GmbH and the Porsche AG Group participated in the economic success of the sale of shares of Porsche AG by way of a one-off payment; to this end, an amount of €0.5 billion was recognized in personnel costs.

Special items in connection with the diesel issue reduced the operating result, which amounted to minus €0.4 billion (minus €0.8 billion). In the period from January to December 2022, the Volkswagen Group's operating result amounted to €22.1 billion, up €2.8 billion on the prior-year figure. The operating return on sales increased to 7.9% (7.7%).

The financial result amounted to minus €0.1 billion (€0.9 billion). The interest expenses included in this item decreased due to measurement-related factors resulting primarily from a change in the discount rates used in the measurement of provisions. The other financial result was negatively impacted by the impairment loss of €1.9 billion recognized on the equity investment in Argo AI, which weighed on net other investment income, and by changes in share prices, mainly as a result of the Russia-Ukraine conflict, which affected net income from securities and funds. Both factors were offset by favorable exchange rate effects. The measurement of forward purchase agreements for new shares of QuantumScape had additionally weighed on the prior year. The share of the result of equity-accounted investments of the Chinese joint ventures was up on the prior year.

The Volkswagen Group's result before tax was up €1.9 billion to €22.0 billion in the fiscal year 2022. The return on sales before tax amounted to 7.9% (8.0%). Income taxes resulted in an expense of €6.2 billion (€4.7 billion) in the reporting year, which in turn led to a tax rate of 28.2% (23.3%). The result after tax rose by €0.4 billion year on year to €15.8 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 fiscal year 2022. 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 and only on a pro rata basis as of 29 September 2022. 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.

The Porsche AG Group generated revenue of €37.6 billion in the fiscal year 2022. This is an increase of 13.6% on the prior year (€33.1 billion) and is largely due to higher consolidated vehicle sales coupled with improved pricing as well as positive mix and exchange rate effects.

The cost of sales rose by €2.8 billion to €27.1 billion (€24.3 billion). Despite price increases on the supplier side, a relative decrease in the cost of sales in proportion to revenue was achieved (72.0%, 2021: 73.3%), which is primarily attributable to changes in the product and region mix, lower amortization of capitalized development costs and a higher capitalization ratio of development costs.

Gross profit increased accordingly by 19.1% to €10.5 billion (€8.9 billion), therefore resulting in a gross margin of 28.0% (26.7%).

Distribution expenses rose by €0.2 billion to €2.4 billion. Administrative expenses increased from €1.4 billion to €1.7 billion, which is mainly attributable to the costs of the IPO (such as bonuses or consulting fees) as well as the digitalization strategy.

Other operating result of the Porsche AG Group increased by €239 million to €232 million (minus €7 million). The increase is mainly attributable to the high demand for used vehicles and, correspondingly, higher write-ups of residual values in the financial services segment as well as the positive mark-to-market valuation of derivatives outside of hedge accounting. Furthermore, a reimbursement of costs in connection with the IPO of Porsche AG had a positive effect on the other operating result.

The operating result of the Porsche AG Group increased by €1.5 billion to €6.8 billion in the fiscal year 2022 (€5.3 billion). The operating return on sales of the Porsche AG Group thus grew to 18.0% compared to 16.0% in the prior-year period. The increase in the return on sales is above all thanks to improved unit price realization, a strong product mix, positive foreign exchange rate effects and the developments in the other business fields, combined with contrastingly higher additional costs for procurement, primarily on account of increased commodity prices.

The financial result came to €299 million (€414 million). Lower interest income due to the spin-off of the loan receivable from Porsche Holding Stuttgart GmbH caused the financial result to decrease. Additionally, the financial result was negatively impacted by an impairment loss on the equity-accounted investment in Bertrandt AG. By contrast, adjusted interest rates used to measure provisions had a positive effect on the financial result.

With a stable tax rate of 29.9% (29.5%), income tax increased to €2.1 billion in 2022 (€1.7 billion) due to an increase in the result before tax. This caused the result after tax of the Porsche AG Group to increase by €0.9 billion to €5.0 billion in the current reporting period.

Porsche Automobil Holding SE (financial statements pursuant to the German Commercial Code)

The following explanations of the results of operations, financial position and net assets relate to the separate financial statements of Porsche SE for the fiscal year 2022.

Results of operations

In the fiscal year 2022, Porsche SE generated a net profit of €4,104 million (€824 million), of which around €4,256 million (€876 million) related to the result from investments. In addition to dividend income of €4,253 million (€756 million), the result from investments contains income (net) from profit and loss transfer agreements of €3 million (€120 million). The combined group management report for the fiscal year 2021 had forecast dividend income of €1.2 billion for Porsche SE in the fiscal year 2022. The increase is caused by the special dividend approved by the extraordinary general meeting of Volkswagen AG on 16 December 2022 in connection with the IPO of Porsche AG, of which around €3.1 billion is attributable to Porsche SE.

Other operating expenses of €27 million (€34 million) mainly contain legal and consulting fees of €15 million (€24 million).

The interest result for the fiscal year 2022 primarily comprises expenses for interest and transaction costs for the debt capital raised in the fiscal year.

Income tax mainly consists of income tax expenses in the reporting year.

Income statement of Porsche Automobil Holding SE

€ million	**2022**	2021
Revenue	0	0
Other operating income	3	7
Personnel expenses	–18	–15
Other operating expenses	–27	–34
Result from investments	4,256	876
Interest result	–99	–6
Income tax	–11	–4
Result after tax	**4,104**	**825**
Other tax	0	–1
Net profit	**4,104**	**824**
Transfer to (-) / withdrawal from (+) retained earnings	–2,052	–41
Net profit available for distribution	**2,052**	**783**

Net assets and financial position

Non-current assets of €33,424 million (€22,896 million) primarily contain the investment in Volkswagen AG of €22,912 million (€22,512 million). In the period from 29 March 2022 to 6 May 2022, Porsche SE acquired preference shares of Volkswagen AG for around €400 million via the capital market. Furthermore, the investment in Porsche AG was recognized for the first time in the fiscal year 2022 with an interest of 25% plus one share of the ordinary shares in the amount of the acquisition costs of €10.1 billion (see section "Significant events and developments at the Porsche SE Group").

In addition to receivables from domination and profit and loss transfer agreements, receivables from affiliates primarily include a receivable of Porsche SE from Volkswagen AG of €22 million. This relates to the net presentation of the (special) dividend claim of Porsche SE against Volkswagen AG of €3.1 billion offset with the remaining purchase price liability from the acquisition of ordinary shares of Porsche AG of €3.0 billion as of the reporting date (see section "Significant events and developments at the Porsche SE Group"). Other assets mainly include income tax receivables from withheld capital gains tax.

Cash and cash equivalents contain bank balances including short-term time deposits.

Provisions contain items for pensions and similar obligations, tax provisions as well as other provisions.

Liabilities to banks result from raising debt capital to finance the acquisition of ordinary shares of Porsche AG.

As before, the liabilities relate largely to loan relationships entered into with subsidiaries.

Balance sheet of Porsche Automobil Holding SE

€ million	**31/12/2022**	31/12/2021
Assets		
Non-current assets	33,424	22,896
Receivables from affiliated companies	30	121
Other assets	317	5
Marketable securities	70	145
Cash and cash equivalents	343	463
	34,185	**23,631**
Equity and liabilities		
Equity	26,707	23,386
Provisions	112	108
Liabilities to banks	7,118	
Liabilities	247	137
	34,185	**23,631**

Risks relating to the business development

The risks relating to the development of Porsche SE's business are closely connected to the risks relating to the core investments in Volkswagen AG and in Porsche AG and to the development of the legal proceedings. The risks are described in the section "Opportunities and risks of future development".

Dividends

Porsche SE's dividend policy is generally geared to stability. The shareholders should participate in the success of Porsche SE in the form of an appropriate dividend, while taking into consideration the systematic repayment of financial liabilities as well as the objective of securing sufficient liquidity, in particular for the purpose of acquiring future investments.

The separate financial statements of Porsche SE as of 31 December 2022 report a net profit available for distribution of €2,052 million consisting of a net profit of €4,104 million and a transfer to retained earnings of €2,052 million. The board of management proposes a resolution for the distribution of a dividend of €2.554 per ordinary share and €2.560 per preference share, i.e., a total distribution of €783 million and a transfer to retained earnings of €1,269 million.

Dependent company report

In accordance with Sec. 312 AktG, Porsche SE has drawn up a report on relations with holders of its ordinary shares and companies affiliated with these (dependent company report). The conclusion of this report is as follows: "In accordance with the circumstances known to it when the transactions stated in the report were conducted, Porsche SE has rendered or, as the case may be, received reasonable payment. The company was not disadvantaged by these transactions."

Outlook

We refer to the statements in the section "Anticipated development of the Porsche SE Group", which also in particular reflect the expectations for the parent company. Based on the dividend proposed by the board of management and supervisory board of Volkswagen AG, Porsche SE expects a dividend of €8.70 per Volkswagen ordinary share and €8.76 per Volkswagen preference share as well as €1.00 per Porsche AG ordinary share for the fiscal year 2022. As a result, dividend income of Volkswagen AG and Porsche AG totaling €1.5 billion is expected at the level of Porsche SE, which is likely to have a significant impact on the 2023 separate financial statements.


Separate non-financial group report

The separate non-financial group report of the Porsche SE Group pursuant to Sec. 315b HGB for the fiscal year 2022 can be accessed at the latest by 30 April 2023 in German at www.porsche-se.com/unternehmen/corporate-governance and in English at www.porsche-se.com/en/company/corporate-governance.

Overall statement on the economic situation of Porsche SE and the Porsche SE Group

Against the background of the current challenges, the board of management of Porsche SE considers the economic situation of the company and its significant investments in Volkswagen AG and Porsche AG to be positive overall. With the acquisition of 25% plus one share of the ordinary shares of Porsche AG, a core investment with strong growth and high dividends has been added to the investment portfolio of Porsche SE that is uniquely positioned in the sport and luxury segment of the automotive industry. At the level of the two core investments – Volkswagen AG and Porsche AG – business was largely impacted in the fiscal year 2022 by the effects of the Russia-Ukraine conflict, the Covid-19 pandemic, the global economic slowdown, the limited availability of parts and disruptions in the logistics chain. In addition, the industry is shaped by fierce competition, technological transformation and increasing ecological awareness.

The result after tax of the Porsche SE Group increased by 5.3% on the prior year to €4.8 billion and is within the profit corridor forecast in the prior year. In the fiscal year 2022 the results of operations of Porsche SE and the Porsche SE Group were largely characterized by the development of the Volkswagen Group. Since Porsche SE's acquisition of ordinary shares of Porsche AG (see section "Significant events and developments at the Porsche SE Group") the result of the Porsche SE Group is also influenced by the result from investments accounted for at equity that is attributable to Porsche SE and therefore by the earnings situation of the Porsche AG Group.

Net liquidity of the Porsche SE Group decreased year on year from €641 million to minus €6,672 million as a result of raising debt capital. In light of this, the corridor forecast in the prior year for net liquidity of between €0.4 billion and €0.9 billion was adjusted in September 2022 to a corridor of between minus €6.9 billion and minus €6.4 billion. In addition to the largely debt-financed acquisition of ordinary shares in Porsche AG, the financial position of the Porsche SE Group was primarily influenced by the acquisition of Volkswagen preference shares, the sale of the share in PTV as well as dividends received and paid.

Porsche SE's net profit for the year of €4.1 billion (€0.8 billion) is largely shaped by the special dividend approved by the annual general meeting of Volkswagen AG on 16 December 2022 in connection with the IPO of Porsche AG and distributed on 9 January 2023. As a result of the special dividend, the dividend income received was higher in Porsche SE's separate financial statements prepared in accordance with HGB than the dividend income forecast in the prior year.

The board of management of Porsche SE is still fully committed to the company's role as Volkswagen AG's long-term anchor shareholder and remains convinced of the Volkswagen Group's potential for increasing value added.

Opportunities and risks of future development

Report on opportunities and risks at the Porsche SE Group

Risk management system of the Porsche SE Group

Overview of the risk management system

The risk management system of the Porsche SE Group was set up to ensure a structured approach to risks and also in particular to identify at an early stage any potential risks to the ability of the group to continue as a going concern as well as any risks that could have a significant and long-term negative impact on the results of operations, financial position and net assets of the group and to avoid these by means of appropriate countermeasures.

The risk management system of the Porsche SE Group monitors both the direct risks at the level of Porsche SE as well as the significant indirect and direct risks from investments described below. The investments generally have their own independent risk management system and are responsible for managing their own risks. The risk management system can therefore be divided into the sphere of Porsche SE as holding company and the sphere of the investments.

In its risk management system, Porsche SE focuses on risks that may cause the company to negatively deviate from its targets. However, on occasion potential opportunities are also analyzed and presented.

The risk management system is designed to ensure that the management of Porsche SE is always informed of significant risk drivers and able to assess the potential impact of the identified risks in order to take appropriate countermeasures at an early stage.

The Porsche SE Group's risk management system is updated on an ongoing basis and adapted to the company's changing requirements. Porsche SE's auditor examines the Porsche SE Group's risk early warning system annually with respect to its fundamental suitability of being able to identify risks at an early stage that might jeopardize the continued existence and assesses the functionality of the risk early warning and monitoring systems in accordance with Sec. 317(4) HGB. Assessing the probability and extent of future events and developments is, by its nature, subject to uncertainty. A risk management system cannot foresee all potential risks, nor can it completely prevent or uncover irregular acts.

Risk management system of Porsche SE

The risk management system of Porsche SE is significantly shaped by the existing risk culture and is subdivided into three lines of defense: "operational risk management", "strategic risk management" and "review-based risk management".

The risk culture as part of the corporate culture comprises the fundamental attitude to risks and the way they are dealt with. It strongly influences the company's risk awareness. The risk culture within the Porsche SE Group is shaped by the practiced behavior of the management, the creation and promotion of a company-wide risk awareness and open and transparent risk communication.

As the first line of defense, "operational risk management" comprises analysis, management, monitoring, communication and documentation of risks at operational level. Porsche SE distinguishes between two types of risk. The first type of risk comprises risks from business activities which are entered into as part of (conscious) entrepreneurial decisions ("entrepreneurial risks"). The second type of risk comprises risks resulting from the lack of a definition or insufficient compliance with processes ("organizational risks"). The two types of risk may also include sustainability aspects. Every single department within Porsche SE is responsible for identifying, evaluating, managing, monitoring and documenting risks in its area and reporting significant risks to the finance department. In particular, this means that measures for managing risks are derived and implemented immediately at this level in all areas of the company, with the aim of preventing these risks from spreading to other areas or even to the company as a whole. With regard to the organizational risks, operational risk management is performed using the internal control system, which is described in the "Internal control system including internal control system of Porsche SE relevant for the financial reporting process" section. In addition to operational management of the specific individual risk areas at department level, the finance department also creates a complete view of the significant risks in order to take into consideration the overall risk exposure of the group. Risks are aggregated to appropriately take into account combined effects of risks. In this context, risk-bearing capacity is regularly determined based on Porsche SE's net assets. To assess the existence of any developments that may jeopardize the ability of the company to continue as a going concern, the aggregated risks are compared to Porsche SE's net assets based on scenarios.

The second line of defense, "strategic risk management", is responsible for the conceptual design and control of the proper implementation of the entire risk management system. In addition to creating a risk map, deriving generic risk strategies, defining a general process structure for the operational management of risks and allocating risk areas to their respective risk owners, this includes in particular also control of the operation, effectiveness

and documentation of operational and strategic risk management by the board of management and the supervisory board of Porsche SE.

The third line of defense, “review-based risk management”, aims to ensure the appropriateness and effectiveness of the risk management system and therefore in particular that the operational and strategic risk management are in line with externally and internally defined standards. “Review-based risk management” is the responsibility of the internal audit, which, as an independent and objective body, reviews on the basis of an annual risk oriented audit plan whether operational risk management is firmly embedded in all areas and regularly performed. Furthermore, the strategic level is reviewed to determine whether there is a structured systems approach and whether the respective controls and reviews are performed in strategic risk management. The internal audit reports the audit findings to the board of management and the supervisory board’s audit committee.

Risk management at the level of the investments

The core investments of Porsche SE generally have their own independent risk management system to monitor and manage risks at their level.

Management of the risks of the Volkswagen Group is located at the level of Volkswagen AG. The task of Volkswagen AG’s risk management is to identify, manage and monitor existing risks at the level of the Volkswagen Group. Volkswagen AG has implemented its own group-wide risk management system and is responsible for handling its own risks. The same applies for Porsche AG. At the same time, however, both Volkswagen AG and Porsche AG are required to ensure that Porsche SE as the holding company – within the scope of the legally permissible exchange of information – is informed at an early stage of any risks potentially jeopardizing the investment’s ability to continue as a going concern. This information is provided, inter alia, in management talks and by forwarding risk reports. Volkswagen AG’s auditor examines the Volkswagen Group’s risk early warning system annually with respect to its fundamental suitability of being able to identify risks that might jeopardize the continued existence and assesses the functionality of the risk early warning and monitoring systems in accordance with Sec. 317(4) HGB. The same applies for Porsche AG. For additional information on the structure of the risk management system at the level of the Volkswagen Group, reference is made to the explanations in the section “Risk management system of the Volkswagen Group”.

In addition to the core investments in Volkswagen AG and in Porsche AG, Porsche SE indirectly holds additional portfolio investments in the mobility and industrial technology sector in the form of non-controlling interests. The risks at the level of these investments are also managed and controlled along decentralized lines by the respective investments themselves. Regular reports on the economic situation, management meetings as well as in some cases observation and delegation rights on advisory and monitoring boards aim – within the scope of the legally permissible exchange of information – to ensure that Porsche SE is informed about any significant risks at the level of the portfolio investments.

Internal control system including internal control system of Porsche SE relevant for the financial reporting process

The aim of Porsche SE’s internal control system is to manage the organizational risks as part of operational risk management. Hence, it serves in particular to ensure the definition of and compliance with processes and is essentially based on the principles, guidelines and measures introduced by the board of management. The scope of the internal control system covers Porsche SE and its fully consolidated subsidiaries. These are exclusively intermediate holding companies. The investment companies of Porsche SE, in particular Volkswagen AG and Porsche AG, are not part of the internal control system of Porsche SE and must in turn ensure the establishment and monitoring of an appropriate and effective internal control system.

The internal control system defines uniform measures to manage the organizational risks. Based on a comprehensive process map, a suitable organizational structure is derived for the entire company and the individual process steps, responsibilities and interfaces are derived by the respective process owner for the key processes. Controls are defined for processes and interfaces of particular relevance, compliance with which is generally monitored using the dual control principle. These measures are documented in process overviews, guidelines and checklists.

The accounting-related internal control system aims to ensure the compliance and legality of internal and external accounting and financial reporting. It comprises measures aimed at ensuring complete, correct and timely preparation and transmission of the information required for the preparation of the separate and consolidated financial statements as well as the combined management report for Porsche SE (see also the explanations on the risk area “Reporting” in section “Opportunities and risks of the Porsche SE Group” in the “Organizational risks” section.

The board of management has overall responsibility for the internal control system. Based on regular reporting, the board of management, the audit committee and the supervisory board are informed of risks within the Porsche SE Group. In principle, these also include organizational risks, including any weaknesses in the internal control system to

the extent that these may have a significant effect on the risk situation of Porsche SE. As part of the risk management system, the internal control system in the Porsche SE Group is continuously tested for effectiveness (see also the section on “review-based risk management” in section “Risk management system of Porsche SE”) and continually optimized to reflect changed conditions. In the fiscal year 2022, the board of management and supervisory board did not have any information that could indicate a lack of adequacy and effectiveness of the risk management system and internal control system as of 31 December 2022.

Opportunities and risks of the Porsche SE Group

Organizational risks

Organizational risks comprise risks resulting from the lack of a definition or insufficient compliance with processes. The internal control system serves to manage these risks. Porsche SE distinguishes between the risk areas “Reporting”, “Business operations” and “Compliance”.

The risk area “Reporting” relates in particular to internal and external reporting. The IFRS accounting manual of Porsche SE ensures uniform recognition and measurement. Accounting duties are performed by the investment companies included in the consolidated financial statements. The financial statements of Porsche SE and its fully consolidated subsidiaries are prepared using standard software. The issuance of formal instructions such as a time schedule as well as set reporting packages ensures the timely and uniform reporting to Porsche SE. The components of the reporting packages required to be prepared for the Porsche SE Group are set out in detail and updated regularly. Upon receipt, they are subjected to an analysis and plausibility check. Depending on the matter at hand, significant developments are addressed in discussions with the reporting companies.

The reporting packages are processed in a certified consolidation system. Extensive checks performed manually and by the system aim to ensure the completeness and reliability of the information processed in the consolidated financial statements. For all accounting-related processes, the principle of dual control and plausibility checks form the basis of the internal control system taking materiality aspects into account. Furthermore, the consolidated financial statements as well as the figures and information contained in the reporting packages are subjected to variance analyses and analyses are performed of the composition of individual items. The same applies for the reconciliation of the IFRS financial information to the separate financial statements in accordance with HGB of Porsche SE. Suitable selection processes and regular training measures aim to ensure that employees involved in the accounting process are appropriately qualified.

The combined management report is prepared – in accordance with the applicable requirements and regulations – centrally but with the involvement of and in consultation with the investments that are significant for preparing the management report.

With regard to the risk area "business operations", all departments of Porsche SE have analyzed each of their operating processes and interfaces and also defined controls for processes and interfaces of particular relevance and monitor that they are being complied with.

With regard to the management of risks from the risk area "compliance", Porsche SE has established a compliance management system, that is specifically tasked with preventing breaches of laws, other legal standards, company guidelines or other internal company regulations.

The compliance management of Porsche SE comprises the compliance organization with defined roles and responsibilities as well as measures and processes set up in the company. These aim to preemptively ensure that employee conduct is in line with the rules and to avoid the negative consequences of compliance breaches for Porsche SE and its employees as well as to clarify, to put an end to and to punish potential instances of misconduct. To identify significant compliance topics and potential compliance risks resulting therefrom, Porsche SE performs risks analyses as part of its compliance management.

Risk assessment for organizational risks

The organizational risks of the Porsche SE Group are regularly subjected to an overall risk assessment using the categories low, medium or high. The three identified risk areas "Reporting", "Business operations" and "Compliance" are each considered low as of the reporting date.


0026 CUV

Entrepreneurial risks

In the area of entrepreneurial risks, the Porsche SE Group primarily faces opportunities and risks from investments, risks from financing and financial instruments as well as legal and tax opportunities and risks. These are considered in terms of their potential influence on the earnings and liquidity situation of the Porsche SE Group. The focus of risk management is primarily on negative variances from expectations regarding the development of the group result after tax or net liquidity of the Porsche SE Group.

Opportunities and risks from investments

In connection with any existing and future investments, Porsche SE generally faces opportunities and risks regarding the effects on its result and/or net liquidity. This includes the risk of a need to recognize impairment losses, with a corresponding negative impact on the result of Porsche SE, the risk of a decrease in dividend inflow, the risk of burdens on profits from changes in the market value of equity instruments accounted for at fair value as well as the risk of burdens on profits attributed to Porsche SE in the consolidated financial statements under the equity method. However, there are also corresponding opportunities from positive development in these areas. Porsche SE is currently exposed to significant risks from the core investments in Volkswagen AG and in Porsche AG and from the portfolio investments.

To detect a possible impairment with regard to Porsche SE's investments at an early stage, the company regularly analyzes key figures on the business development of the core investments in Volkswagen AG and in Porsche AG in particular and, if applicable, monitors assessments made by analysts.

With regard to the investment in Volkswagen AG, there is an increased risk of the result attributable to Porsche SE as part of equity accounting falling short of expectations on account of the Volkswagen Group not developing as planned (referred to below as the risk area “Result contribution Volkswagen”). According to Volkswagen, the most significant risks at the level of the Volkswagen Group arise from a negative trend in markets and unit sales, with regard to quality and cyber security, and from an inability to develop products in line with demand and requirements, especially in view of e-mobility and digitalization. The Volkswagen Group continues to be exposed to risks from the diesel issue. In 2023, an adverse effect may result from the continuing limited availability of parts, energy and other raw materials as well as from geopolitical tensions and conflicts, including from the Russia-Ukraine conflict or an aggravation of the situation in East Asia. The assessment of risks at the level of the Volkswagen investment is generally based on the report on risks and opportunities in the 2022 group management report of Volkswagen AG.

As regards the recoverability of the investment in Volkswagen AG, impairment testing was performed in the fiscal year 2022 due to the proportionate market capitalization being below the carrying amount of the investment accounted for at equity. As the impairment test is based on the current planning of the Volkswagen Group, the risks described above of an unexpected development which might lead to an impairment in the value of the investment also exist here. The risk of an impairment loss needing to be recognized through profit or loss is referred to below as the risk area “Impairment Volkswagen”. As part of the impairment test, sensitivity analyses regarding key measurement parameters were performed. As the value in use of the investment in Volkswagen AG was significantly higher than the carrying amount in each of the scenarios considered in the sensitivity analysis, the risk of a need to recognize an impairment loss is considered to be unlikely on the basis of the current information.

There is also the general risk of a significant decrease in dividend inflow from Volkswagen AG (referred to below as the risk area “Dividend inflow Volkswagen”), which would in turn affect the net liquidity of the Porsche SE Group. Such developments are not currently expected.

Porsche SE’s investment in Porsche AG in the reporting period (refer to the section “Significant events and developments at the Porsche SE Group”) results in economic opportunities and risks that are presented in Porsche SE’s risk management system by the risk areas “Result contribution Porsche AG”, “Impairment risk Porsche AG” as well as “Dividend inflow Porsche AG”.

With regard to the direct investment in Porsche AG, there is an increased risk of the result attributable to Porsche SE as part of equity accounting falling short of expectations on account of the Porsche AG Group not developing as planned (risk area “Result contribution Porsche AG”). According to Porsche AG, the risks at the level of the Porsche AG Group relate to protectionist tendencies, turbulence in the financial markets, structural deficits in individual countries, high inflation rates and rising interest rates as well as market shortages for intermediates and raw materials including energy. There are also risks from the Russia-Ukraine conflict and from the effects of geopolitical developments (such as political tensions in East Asia), risks stemming from a potential gas shortage as well as downtime risks on account of force majeure or other unforeseen events (such as a flare-up of the Covid-19 pandemic). Other risks include cost risks from vehicle projects and risks from regulatory requirements, tax risks, customs risks as well as data privacy risks. The assessment of risks at the level of the Porsche AG investment is generally based on the report on risks and opportunities in the 2022 group management report of Porsche AG.

The risks described above of a development below plan also exist with regard to the recoverability of the investment in Porsche AG (risk area “Impairment risk Porsche AG”). As regards the recoverability of the investment in Porsche AG, no impairment testing was performed in the fiscal year 2022 due to the proportionate market capitalization being above the carrying amount of the investment accounted for at equity.

There is also the general risk of a significant decrease in dividend inflow from Porsche AG (risk area “Dividend inflow Porsche AG”), which would in turn have a corresponding impact on the net liquidity of the Porsche SE Group. Such developments are not currently expected.

Opportunities and risks from the portfolio investments of Porsche SE mainly arise from changes in market value, which in the case of investments measured at fair value have a direct and full impact on the result of the Porsche SE Group. In the case of portfolio investments accounted for at equity, in addition to the risk of impairment losses, there are also opportunities and risks arising from the result of the respective investments that is attributable proportionately to Porsche SE. In particular, the performance of technology companies in disruptive markets is in general subject to increased uncertainty.

Risks from financing and financial instruments

In its business activities Porsche SE is exposed to risks arising from raising debt capital and the use of financial instruments. Significant risks resulting from such activities are referred to below as the risk area “Financing / financial instruments”. The risk area was referred to in the prior year as “Risks from financial instruments”. In the reporting period, the nature and scope of financial instruments used increased significantly as a result of raising debt capital to finance the acquisition of the investment in Porsche AG. To finance the acquisition of the investment in Porsche AG, a financing agreement was concluded for a total volume of €8.9 billion subject to variable interest and with terms of up to 5 years. As of 20 January 2023, Porsche SE terminated a volume of €0.8 billion of this agreement. The bridge financing of €3.9 billion in place as part of this financing agreement was refinanced largely in March 2023 by placing a Schuldschein loan of around €2.7 billion (see section “Subsequent events”).

There are plans to replace the remaining bridge financing by the end of the fiscal year 2023, partly by means of additional financial instruments.

Risks from financing and investing are regularly monitored, reported and, if necessary, managed using financial instruments, such as interest rate hedging instruments. The primary aim is to limit the financial risk exposures of the Porsche SE Group.

The principles and responsibilities for managing the risks from the use of financial instruments are generally defined by the board of management and monitored by the supervisory board. Internal guidelines exist within the Porsche SE Group that clearly define the risk management and control processes with regard to the use of financial instruments. These guidelines regulate, among other things, necessary control procedures such as the requirement of a hedged item or the segregation of functions relating to trades into trading and settlement. The underlying guidelines and the supporting systems are checked regularly and brought into line with current market developments.

Derivatives such as interest rate swaps, are used to control interest rate risks from variable-rate

financing instruments. For this purpose, individual nominal value tranches of the financing elements are always hedged using an interest rate hedging instrument with essentially identical valuation-relevant features. The risk of a divergence between actual risk and accounting risk position is largely mitigated by the extensive use of hedge accounting. Other financial instruments currently used at Porsche SE in particular comprise cash and cash equivalents, time deposits and securities.

The financing may generally result in risks for Porsche SE. The envisaged repayment of loans and the payment of interest will mainly be made from dividend inflows from Volkswagen AG and Porsche AG. If there are significant negative divergences from the medium-term planning of the dividend receipts, this may give rise to risks especially from delayed repayment of debt financing and from associated additional refinancing needs. The financing is subject to standard market financial covenants relating in particular to the market value of Porsche SE’s shares in Volkswagen AG and in Porsche AG as well as to the interest cover. A breach of financial covenants can in principle lead to the outstanding credit volume falling due and therefore to liquidity risks. Such developments are not foreseeable at present and are considered to be unlikely. Furthermore, market price risks can arise from changes in market interest rates. To hedge interest rate risks, there are interest rate hedges in place with a nominal volume of €5.7 billion and terms of up to 7 years at the time this report was prepared. As of the reporting date, the hedged nominal volume amounted to €5.8 billion with terms of up to 5 years.

The use of financial instruments as part of liquidity and financial management also gives rise to counterparty risks. The creditworthiness of the counterparties of financial instruments is monitored regularly, mainly to assess any potential default. To mitigate the counterparty risks, Porsche SE also diversifies the investment of liquidity and enters into interest rate hedges across various counterparties.

A hold harmless declaration to the deposit guarantee fund agency of the Association of German Banks is in place for the benefit of Volkswagen Bank GmbH, which Porsche SE issued in 2009.

Legal risks

Porsche SE is involved in legal disputes both nationally and internationally. As of 31 December 2022, this primarily relates to actions for damages concerning the increase of the investment in Volkswagen AG and the allegation of alleged market manipulation and alleged inaccurate capital market information as well as legal proceedings because of alleged non-feasance of capital market information or alleged incorrect capital market information in connection with the diesel issue. Where such risks are foreseeable, adequate provisions are made in order to account for any ensuing risks. The amount of the provisions for legal risks recognized in the reporting year corresponds to the attorneys' fees and litigation expenses anticipated for the ongoing proceedings. The company believes that thus far these risks have not had a sustained effect on the economic position of the group. However, due to the fact that the outcome of litigation can be estimated only to a limited degree, it cannot be ruled out that very serious losses may eventuate that are not covered by the provisions already made, which would result in a correspondingly negative impact on the result and liquidity.

For the status of the legal proceedings and for current developments, reference is made to the section “Significant events and developments at the Porsche SE Group”.

Tax opportunities and risks

The contribution of the holding business operations of Porsche SE to Volkswagen AG as of 1 August 2012 is generally associated with tax risks. To safeguard the transaction from a tax point of view, and thus avoid tax back payments for the spin-offs performed in the past, rulings were obtained from the competent tax authorities. Porsche SE implemented the necessary measures to execute the contribution transaction in accordance with the rulings received and is monitoring compliance with them.

The tax field audit is still being performed for the assessment periods 2009 to 2013. New findings of the tax field audit for the periods 2009 to 2013 as well as legal changes can result in an increase or decrease in tax provisions and interest or any refunds already received might have to be partially paid back.

During the assessment periods 2006 to 2009, Porsche SE was initially the legal successor of Porsche AG and later the ultimate tax parent and thus liable for tax payments. As part of the contribution of the business operations, Volkswagen AG agreed to refund to Porsche SE any tax benefits – for example, in the form of a refund, tax reduction or tax saving, a reversal of tax liabilities or provisions or an increase in tax losses – of Porsche Holding Stuttgart GmbH, Porsche AG and its legal

predecessors and subsidiaries which pertain to assessment periods up to 31 July 2009. In return, under certain circumstances Porsche SE holds Porsche Holding Stuttgart GmbH, Porsche AG and 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. If the total tax benefits exceed the total tax disadvantages, Porsche SE has a claim against Volkswagen AG to payment of the amount by which the tax benefits exceed the tax disadvantages. The amount of tax benefits and tax disadvantages to be taken into account is regulated in the contribution agreement. The risks arising at the level of Porsche SE, for which provisions were recognized in prior years and payments were made, will in some cases lead to tax benefits at the Volkswagen Group that are expected to partly compensate the tax risks of Porsche SE. However, the provisions in the contribution agreement do not cover all matters and thus not all tax risks of Porsche SE from the tax field audits for the assessment periods 2006 to 2009. The existence and amount of a possible reimbursement claim against Volkswagen AG can be reliably determined only following completion of the tax field audit for the assessment period 2009. Based on the findings of the completed tax field audit for the assessment periods 2006 to 2008 and the information available for the assessment period 2009 when these financial statements were prepared, it is estimated that Porsche SE has a compensation claim against Volkswagen AG in the low triple-digit million-euro range. Future findings and legal changes may lead to an increase or decrease in the possible compensation claim.

Risk assessment for entrepreneurial risks

The methodology for regularly assessing entrepreneurial risks remained unchanged in the past fiscal year. A risk assessment is performed for each of the significant entrepreneurial risks of the Porsche SE Group using risk categories “Low”, “Moderate” and “High”. This involves assessing the risk of falling short of the forecast corridor communicated for the result after tax and/or the net liquidity of Porsche SE Group.

The risk assessment of a risk area includes the potential impact of the risk area as well as its likelihood of occurrence. A risk area under examination is allocated to one of the categories low, moderate or high based on its potential impact. The allocation is generally based on the potential impact that a risk area under examination can have on the result after tax and/or the net liquidity of the Porsche SE Group following potential countermeasures that are integrated into the process in terms of whether it negatively deviates from the corresponding forecast value. Considered individually as of the reporting date, risk areas categorized as high based on their potential impact generally have the potential to impact the key performance indicators result after tax and/or net liquidity of the Porsche SE Group by more than half of the forecast corridor.

The likelihood of occurrence is allocated using the categories unlikely, moderately likely and highly likely.

The risk assessment of the significant entrepreneurial risks of the Porsche SE Group using the risk categories remains unchanged compared to the prior year. The likelihood of occurrence of the risk area “Result contribution portfolio investments” is now considered to be unlikely (prior year: moderately likely). As a result of Porsche SE’s investment in Porsche AG, the reporting was supplemented by adding the risk areas “Result contribution Porsche AG”, “Impairment risk Porsche AG” as well as “Dividend inflow Porsche AG” (refer to section “Significant events and developments at the Porsche SE Group”). The risk areas “Result contribution Porsche AG” and “Dividend inflow Porsche AG” are estimated to have a moderate potential impact and a low likelihood of occurrence.

The risk area “Impairment risk Porsche AG” is estimated to have a high potential impact and a low likelihood of occurrence. Furthermore, the risks associated with raising debt capital on 4 October 2022 are combined with other opportunities and risks from financial instruments in the risk area “Financing / financial instruments”. As a result of this, the risk assessment has changed and this risk area is now estimated to have a high potential impact.

The likelihood of occurrence is considered to be low. As of the reporting date, the risk assessment is as follows:

Presentation of the risk assessment (with regard to the forecast corridor)

Potential impact (with regard to the forecast corridor)	**unlikely**	**moderately likely**	**highly likely**
high	• Dividend inflow Volkswagen • Impairment risk Volkswagen • Tax risks • Legal risks • Financing/ financial instruments • Impairment risk Porsche AG	• Result contribution Volkswagen	
moderate	• Result contribution Porsche AG • Dividend inflow Porsche AG		
low	• Result contribution venture portfolio		

Likelihood of occurrence

Risk category “Low” Risk category “Moderate” Risk category “High”

Overall statement on the risks faced by the Porsche SE Group

The overall risk exposure of the Porsche SE Group is made up of the individual risks relating to the significant investments and the specific risks of Porsche SE presented. The risk management system aims to ensure that these risks are addressed adequately. Based on the information currently available, the board of management has not identified any risks which could endanger the ability of the Porsche SE Group to continue as a going concern, either individually or in combination with other risks.

Report on opportunities and risks of the Volkswagen Group

Risk management system of the Volkswagen Group

In this section, the objective and structure of the Volkswagen Group's risk management system (RMS) and internal control system (ICS) are explained and its systems described, also with regard to the financial reporting process. Volkswagen AG has implemented its own group-wide risk management system and is therefore responsible for handling its own risks. The following is based on extracts from the "Report on risks and opportunities" in the 2022 group management report of Volkswagen AG.

Objective of the risk management system and internal control system at Volkswagen

Only by promptly identifying, accurately assessing and effectively and efficiently managing the risks and opportunities arising from its business activities can Volkswagen ensure the long-term success of the Volkswagen Group. The aim of the RMS and ICS is to identify potential risks at an early stage so that suitable countermeasures can be taken to avert the threat of loss to the company, and any risks that might jeopardize its continued existence can be ruled out.

Assessing the likelihood of occurrence and extent of future events and developments is, by its nature, subject to uncertainty. The Volkswagen Group is therefore aware that even the best RMS cannot foresee all potential risks and even the best ICS can never completely prevent irregular acts.

Structure of the risk management system and internal control system at Volkswagen

The organizational design of the Volkswagen Group's RMS and ICS is based on the internationally recognized COSO framework for enterprise risk management (COSO: Committee of Sponsoring Organizations of the Treadway Commission). The purpose of structuring the RMS/ICS in accordance with the COSO framework for enterprise risk management is so that potential risk areas are covered in full. Uniform group principles are used as the basis for managing risks in a standardized manner. Opportunities are not recorded in the RMS processes.

Another key element of the RMS and ICS at Volkswagen is the three lines model, which is required by, among other bodies, the European Confederation of Institutes of Internal Auditing (ECIIA). In line with this model, the Volkswagen Group's RMS and ICS has three lines designed to protect the company from significant risks occurring.

The minimum requirements for the RMS and for the ICS, including the three lines model, are set out in guidelines for the entire Volkswagen Group and are regularly reviewed and refined. In addition, Volkswagen offers regular training on the RMS and ICS.

A separate board of management committee for risk management of the Volkswagen Group deals with the key aspects of the RMS and the ICS every quarter. Its tasks are as follows:

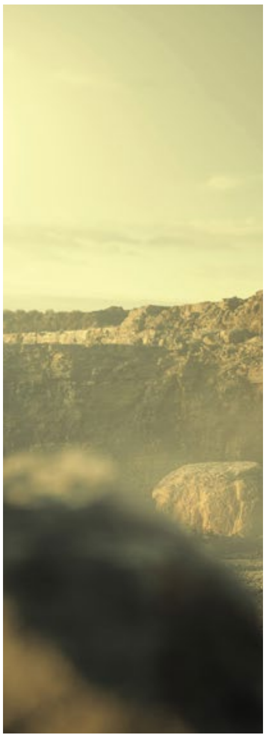
- to further increase transparency in relation to significant risks to the Volkswagen Group and their management,
- to discuss specific issues where these constitute a significant risk to the Volkswagen Group,
- to make recommendations on the further development of the RMS and the ICS,
- to support the open approach to dealing with risks and promote an open risk culture.

First line: Operational risk management

The first line comprises the operational risk management and internal control systems at the individual group companies and business units of the Volkswagen Group. The RMS and the ICS are integral parts of the Volkswagen Group's structure and workflows. Events that may give rise to risk are identified and assessed locally in the divisions and at the investees. Countermeasures are introduced, the remaining potential impact is assessed, and the information incorporated into the planning in a timely manner. Material risks are reported to the relevant committees on an ad hoc basis. The results of the operational risk management process are incorporated into planning and financial control on an ongoing basis. The targets agreed in Volkswagen's planning rounds are continually reviewed in revolving planning updates. At the same time, the results of risk mitigation measures are promptly incorporated into the monthly forecasts regarding further business development. This means that Volkswagen AG's board of management also has access to an overall picture of the current risk situation via the documented reporting channels during the year.

Second line: Group risk management and ICS

Each quarter, in addition to the ongoing operational risk management, the Volkswagen Group's risk management department sends standardized surveys regarding the risk situation and the implementation of countermeasures – through the quarterly risk process (QRP) – to all group brands and significant group companies. The risks are identified and approved in a multiple-party verification process and then checked for plausibility by the Volkswagen Group's risk management.




Calculation of risk score

Risk score

= Likelihood of occurence × Potential extent of damage

$$= \text{Score Prob} \times \left[\text{Score Mat} + \frac{\text{Score Rep} + \text{Score Req}}{2} \right]$$

A score is calculated for each risk by multiplying the likelihood of occurrence (Prob) by the potential extent of the damage. This enables comparison of the risks The extent of the damage is calculated from the criteria of financial loss (Mat) and reputational damage (Rep) and the potential threat to adherence to external legal requirements (Req). A score between 0 and 10 is assigned to each of these criteria. The measures taken to manage and control risk are taken into account in the risk assessment (net perspective).

The score for a likelihood of occurrence of more than 50% in the analysis period is classified as high; for a medium classification, the likelihood of occurrence is at least 25%. For the criterion of financial loss, the score rises in line with the loss; the highest score of 10 is reached when the potential loss is upwards of €1 billion. The criterion of reputational damage can have characteristics ranging from local erosion of confidence and loss of trust at local level to loss of reputation at regional or international level. The potential threat to adherence to external legal requirements is classified based on the potential impact on the local company, the brand or the group.

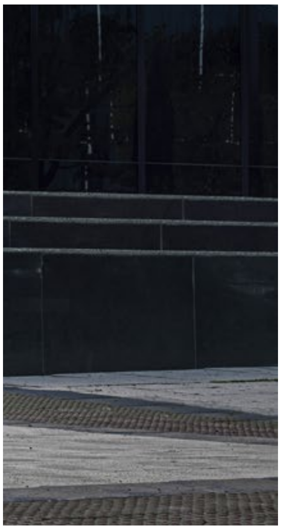
In addition to strategic, operational and reporting risks, risks arising from potential compliance violations (compliance risks) and from sustainability issues (ESG) are also integrated into this process.

Volkswagen Financial Services AG and Volkswagen Bank GmbH have implemented their own RMS and ICS processes and regularly report to the Volkswagen Group's risk management.

To review the Volkswagen Group's risk-bearing capacity, the Volkswagen Group's risk management uses the risk reports for a regular comparison of the aggregated risk situation and risk-bearing capacity. A simulation is used to check whether individual risks might become a going-concern risk if they are aggregated. There were no indications of insufficient risk-bearing capacity at the Volkswagen Group in the fiscal year 2022.

Risk reporting to the committees of Volkswagen AG depends on materiality thresholds. Risks with a risk score of 40 or more or potential financial loss of €1 billion or more are presented quarterly to the board of management and the audit committee of the supervisory board of Volkswagen AG. The reporting includes all risks from the QRP with a risk score of 20.

In addition, significant changes to the risk situation that can arise in the short term, for instance from unexpected external events, are reported to the board of management of Volkswagen AG as required. This is necessary if the risk may lead to potential financial loss of €1 billion or more and the likelihood of occurrence is estimated at greater than 50%.



In recent years, Volkswagen has also developed a standardized ICS to better protect against process risks and put in place in significant companies of the Volkswagen Group. It continues to be introduced at further companies each year. The ICS thereby goes significantly beyond the requirements for the accounting-related ICS. In 25 catalogs of controls, the Volkswagen Group companies within its scope are presented with requirements in respect of the process risks and control objectives to be covered in order to protect the value chain in a standardized manner.

In addition to financial reporting issues, for example, they address process risks in development or production, as well as in the areas of compliance and sustainability. The catalogs of controls are checked at regular intervals to verify that they are up to date and are regularly expanded.

Key controls to cover process risks and control objectives are also tested for their effectiveness; any significant weaknesses identified are reported to the responsible bodies at Volkswagen AG and resolved in the departments. Like the QRP, the standardized ICS is supported by the “Riskradar” IT system.

Volkswagen regularly optimizes the RMS and ICS as part of its continuous monitoring and improvement processes. In the process, Volkswagen gives equal consideration to both internal and external requirements. As a component of the RMS, the compliance management system (CMS) of the Volkswagen Group is also subject to these control and adjustment mechanisms. External experts assist in the continuous enhancement of the RMS, CMS and ICS of the Volkswagen Group on a case-by-case basis.

Third line: Review by Group Internal Audit

Group Internal Audit helps Volkswagen AG’s board of management to monitor the various divisions and corporate units within the Volkswagen Group. It regularly checks the risk early warning system and the structure and implementation of the RMS, ICS and CMS as part of its independent audit procedures. The audit plan adopted by Volkswagen AG’s board of management includes the first and second lines, i.e. the risk-mitigating functions in addition to the operational units.

Risk early warning system at Volkswagen

The risk situation of the Volkswagen Group is ascertained, assessed and documented and therefore also complies with legal requirements. The requirements for a risk early warning system are met by means of the RMS and ICS elements described above (first and second line).

Independently of this, the external auditors of Volkswagen AG check both the processes and procedures implemented in this respect and the adequacy of the documentation on an annual basis. The plausibility and adequacy of the risk reports are examined via spot checks in detailed interviews

with the divisions and companies concerned. The auditor of Volkswagen AG examines the risk early warning system integrated in the risk management system of the Volkswagen Group with respect to its fundamental suitability to being able to identify risks that might jeopardize the continued existence at an early stage and assesses the functionality of the risk early warning and monitoring system in accordance with Sec. 317 (4) HGB.

In addition, scheduled examinations as part of the audit of the annual financial statements are conducted at companies in the financial services division of the Volkswagen Group. As a credit institution, Volkswagen Bank GmbH, including its subsidiaries, is subject to supervision by the European Central Bank, while Volkswagen Leasing GmbH as a financial services institution and Volkswagen Versicherung AG as an insurance company are subject to supervision by the relevant division of the German Federal Financial Supervisory Authority (BaFin). As part of the scheduled supervisory process and unscheduled audits, the competent supervisory authority assesses whether the requirements, strategies, processes and mechanisms ensure solid risk management and solid risk cover. Furthermore, the Prüfungsverband deutscher Banken (Auditing Association of German Banks) audits Volkswagen Bank GmbH from time to time.

Volkswagen Financial Services AG operates a risk early warning and management system. Its aim is to ensure that the locally applicable regulatory requirements are adhered to and at the same time to enable appropriate and effective risk management at group level. Important components of it are regularly reviewed as part of the audit of the annual financial statements.

Monitoring the effectiveness of the risk management system and the internal control system

Reporting to the board of management and supervisory board of Volkswagen AG includes the results of the continuous monitoring and improvement of the RMS and ICS along with the evaluation of the company-wide risk situation based on the QRP and the presentation of the results of the internal control process based on the standardized ICS and downstream control systems at individual brands.

On this basis, an overall conclusion is reached once a year on the adequacy and effectiveness of the RMS, CMS and ICS of the Volkswagen Group at a Volkswagen AG board of management meeting. The board of management of Volkswagen AG has received no information to indicate that the RMS or ICS of the Volkswagen Group as a whole were inadequate or ineffective in the fiscal year 2022.

Nevertheless, there are inherent limits to the effectiveness of any risk management, compliance management and control system. Even a system judged to be adequate and effective cannot, for

example, ensure that all actually materializing risks will be identified in advance or that any process disruptions will be ruled out under all circumstances.

Risk management and integrated internal control system in the context of the financial reporting process within the Volkswagen Group

The accounting-related part of the RMS and ICS that is relevant for the financial statements of Volkswagen AG and the Volkswagen Group as well as its subsidiaries comprises measures intended to ensure that the information required for the preparation of the financial statements of Volkswagen AG, the consolidated financial statements and the combined management report of the Volkswagen Group and Volkswagen AG is complete, accurate and transmitted in a timely manner. These measures are designed to minimize the risk of material misstatement in the accounts and in external reporting.

Main features of the risk management and integrated internal control system in the context of the financial reporting process

The Volkswagen Group's accounting is essentially organized along decentralized lines. For the most part, accounting duties are performed by the consolidated companies themselves or entrusted to the Volkswagen Group's shared service centers. In principle, the financial statements of Volkswagen AG and its subsidiaries prepared in accordance with IFRSs and the Volkswagen IFRS Accounting Manual are transmitted to the Volkswagen Group in encrypted form. A standard market product is used for encryption.

The Volkswagen IFRS Accounting Manual, which has been prepared in line with external expert opinions in certain cases, is intended to ensure the application and assessment of uniform accounting policies based on the requirements applicable to the parent of the Volkswagen Group. In particular, it includes more detailed guidance on the application of legal requirements and industry-specific issues. Components of the reporting packages that are required to be prepared by the group companies are also set out in detail there, and requirements have been established for the presentation and settlement of intragroup transactions and the balance reconciliation process that is based on these.

Control activities at group level include analyzing and, if necessary, adjusting the data reported in the financial statements presented by the subsidiaries of the Volkswagen Group, taking into account the reports submitted by the auditors of Volkswagen AG and the outcome of the meetings on the financial statements with representatives of the individual companies. These discussions address both the plausibility of the single-entity financial statements and specific significant issues at the subsidiaries. Alongside plausibility checks, other control mechanisms applied during the preparation of the single-entity and consolidated financial statements of Volkswagen AG include the clear delineation of areas of responsibility and the application of the “four eyes” principle.

The effectiveness of the internal control system of the Volkswagen Group in the context of the accounting process is systematically assessed in significant companies of the Volkswagen Group as part of the standardized ICS. This begins with a risk analysis and definition of controls with the aim of identifying significant risks for the financial reporting process. Regular tests based on samples are performed to evaluate the effectiveness of the controls. These form the basis for a self-evaluation of whether the controls are appropriately designed and effective.

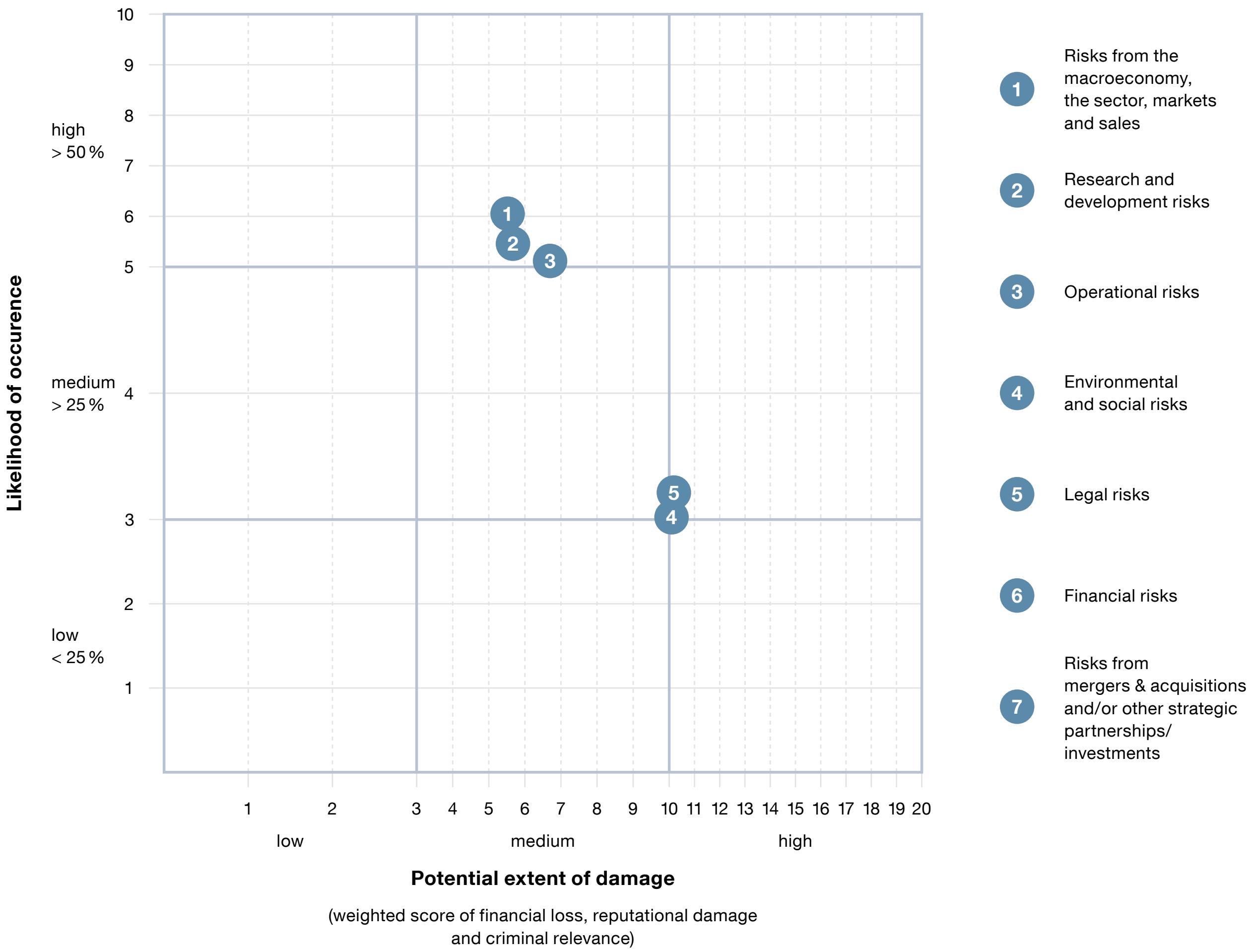
The combined management report of the Volkswagen Group and Volkswagen AG is prepared – in accordance with the applicable requirements and regulations – centrally but with the involvement of and in consultation with the group units and companies.

In addition, the accounting-related internal control system is independently reviewed by Volkswagen Group Internal Audit in Germany and abroad.

Integrated consolidation and planning system

The Volkswagen consolidation and corporate management system (VoKUs) enables the Volkswagen Group to consolidate and analyze both Financial Reporting’s backward-looking data and Controlling’s forward-looking data. VoKUs offers centralized master data management, uniform reporting, an authorization concept and the required flexibility with regard to changes to the legal environment, providing a technical platform that benefits Volkswagen Group Financial Reporting and Volkswagen Group Controlling in equal measure. To verify data consistency, VoKUs has a multi-level validation system that primarily checks content plausibility between the balance sheet, the income statement and the notes.

Average scores of the risk categories




Opportunities and risks of the Volkswagen Group

This sections outlines the main risks and opportunities arising in the business activities of the Volkswagen Group from the Volkswagen Group's perspective. The opportunities and risks presented also include in particular those from the Porsche AG Group. In order to provide a better overview, the risks and opportunities have been grouped into categories. At the beginning of each risk category of the Volkswagen Group, the most significant risks are stated in order of their importance as identified by Volkswagen using the risk score from the QRP.

All risks reported to the Volkswagen Group Risk Management department with a risk score of 20 or more for the units included from the QRP are incorporated in the assessment of the Volkswagen Group's risk categories and the reporting to the board of management of Volkswagen AG, amongst others. The risk categories are plotted based on the average scores. In the reporting year, no risks with such scores were reported for the "Financial risks" and "Risks from mergers & acquisitions and/or other strategic partnerships/investments" risk categories at Volkswagen.

Volkswagen uses analyses of the competition and the competitive environment in addition to market studies to identify not only risks but also opportunities that have a positive impact on the design of its products, the efficiency with which they are produced, their success in the market and its cost structure. Where they can be assessed, risks and opportunities that Volkswagen expects to occur are already reflected in its medium-term planning and its forecast. The Volkswagen Group therefore reports on internal and external developments as risks and opportunities that, based on existing information available to the Volkswagen Group at that time, may result in a negative or positive deviation from its forecast or targets.

Risk categories at the Volkswagen Group

The category "Risks and opportunities from the macroeconomy, the sector, markets and sales" summarizes macroeconomic risks and opportunities, including possible effects from geopolitical tensions and conflicts, sector-specific risks and market opportunities/potential, sales risks, risks from the Russia-Ukraine conflict as well as other factors. Under risks from the Russia-Ukraine conflict, Volkswagen describes the risk that the ongoing Russia-Ukraine conflict will have a negative impact on the global economy and industry growth as well as the business activities of the Volkswagen Group, in particular with regard to rising prices and declining availability of energy. Under other factors, Volkswagen describes the risk in particular that the Covid-19 pandemic could intensify again, due to reasons such as changes in the virus. All areas of the Volkswagen Group are affected by the pandemic. For this risk category, the likelihood of occurrence is classified as high (prior year: high) and the potential extent of damage is classified as medium (prior year: medium) by Volkswagen. From the Volkswagen Group's perspective, the most significant risks from the QRP in this category arise from a negative influence on markets and unit sales driven among other factors by restrictions on trade and increasingly protectionist tendencies.

The category "Research and development risks" contains risks arising from research and development as well as risks and opportunities from the modular toolkit strategy. For this risk category, the likelihood of occurrence is classified as high (prior year: high) and the potential extent of damage is classified as medium (prior year: medium) by Volkswagen. The most significant risks from the QRP result from the inability to develop products in line with demand and requirements, especially with regard to e-mobility and digitalization.

"Operational risks and opportunities" summarizes risks from extraordinary events in the Volkswagen Group's procurement and production network, risks and opportunities from procurement and technology, production risks, risks arising from long-term production, quality risks, IT risks and risks from media impact. Risks from extraordinary events in the Volkswagen Group's procurement and production network describe in particular the risk that the spread of the coronavirus or the current Russia-Ukraine conflict may result in supply risks in procurement and heavily impair production. As a consequence, bottlenecks or even outages in production may occur at Volkswagen, thus preventing the planned production volumes from being achieved. For this risk category, the likelihood of occurrence is classified as high (prior year: high) and the potential extent of damage is classified as medium (prior year: medium) by Volkswagen. The most significant risks from the QRP lie particularly in volatile procurement markets, here primarily in relation to the supply of parts, as well as cyber security and new regulatory requirements regarding IT, and in quality problems.

The risk category "Environmental and social risks" include personnel risks as well as risks from environmental protection regulations. For this risk category, the likelihood of occurrence is classified as medium (prior year: high) and the potential extent of damage is classified as high (prior year: medium) by Volkswagen. The most significant risks from the QRP arise from non-fulfillment of CO_2-related requirements.

Risks from litigation and legal risks in connection with the diesel issue as well as tax risks are subsumed under "Legal risks". For this risk category, the likelihood of occurrence is classified as medium (prior year: medium) and the potential extent of damage is classified as high (prior year: medium) by Volkswagen. The most significant risks from the QRP are associated with the diesel issue.

In the category "Financial risks", the Volkswagen Group includes financial risks, risks arising from financial instruments, liquidity risks as well as risks and opportunities in the financial services business. No risks with a score of 20 or more were reported by Volkswagen for this risk category in the reporting year.

Under "Opportunities and risks from mergers and acquisitions and/or other strategic partnerships/ investments", the Volkswagen Group summarizes opportunities and risks from partnerships, risks arising from the recoverability of goodwill or brand names and from equity investments as well as risks from the disposal of equity investments. No risks with a score of 20 or more were reported by Volkswagen for this risk category in the reporting year.


4MOTION
PAN AMERICANA

Volkswagen AG's risk assessment regarding the diesel issue

An amount of around €1.4 billion (€2.1 billion) has been included in the provisions of the Volkswagen Group for litigation and legal risks as of 31 December 2022 to account for the legal risks known to the Volkswagen Group at the time of preparing its management report related to the diesel issue based on the presently available information and the current assessments of Volkswagen. Where adequately measurable at this stage, contingent liabilities relating to the diesel issue have been disclosed in the notes of the Volkswagen Group in an aggregate amount of €4.2 billion (€4.3 billion), whereby roughly €3.6 billion (€3.6 billion) of this amount results from lawsuits filed by investors in Germany. The provisions recognized at the Volkswagen Group, the contingent liabilities disclosed, and the other latent legal risks in the context of the diesel issue are in part subject to substantial estimation risks given the complexity of the individual relevant factors, the ongoing coordination with the authorities, and the fact that the fact-finding efforts have not yet been concluded. Should these legal or estimation risks materialize, this could result in further substantial financial charges. In particular, adjustment of the provisions recognized by Volkswagen in light of knowledge acquired or events occurring in the future cannot be ruled out.

In line with IAS 37.92, no further statements have been made by Volkswagen concerning estimates of financial impact or regarding uncertainty as to the amount or maturity of provisions and contingent liabilities in relation to the diesel issue. This is so as to not compromise the results of the proceedings or the interests of Volkswagen.

Overall assessment of risk and opportunity position of the Volkswagen Group

The Volkswagen Group's overall risk and opportunity position results from the specific risks and opportunities shown above. Volkswagen has established a comprehensive risk management system to ensure that these risks are controlled. The most significant risks to the Volkswagen Group across all risk categories arise from a negative trend in markets and unit sales, with regard to quality and cyber security, and from an inability to develop products in line with demand and requirements, especially in view of e-mobility and digitalization. The Volkswagen Group continues to be exposed to risks from the diesel issue. In 2023, an adverse effect may result from the continued limited availability of parts, energy and other raw materials, as well as from geopolitical tensions and conflicts, including from the Russia-Ukraine conflict. Taking into account all the information known to the Volkswagen Group at the time of preparing its management report, no risks exist which could pose a threat to the continued existence of significant Volkswagen Group companies or the Volkswagen Group.

Publication of the declaration of compliance

Porsche SE has issued the declaration of compliance as required by Secs. 289f and 315d HGB. The declaration of compliance is published at www.porsche-se.com/en/company/corporate-governance/.

Subsequent events

Upon payment of the special dividend by Volkswagen AG on 9 January 2023, the purchase price liability from the acquisition of the second tranche of ordinary shares of Porsche AG of €3.0 billion to Volkswagen AG was offset against the dividend claim of Porsche SE against Volkswagen AG of €3.1 billion. The lien on the ordinary shares of the second tranche granted in favor of Volkswagen expired in this connection.

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. With the promissory note, Porsche SE is refinancing a significant part of the initial bridge financing of €3.9 billion raised for the acquisition of ordinary shares in Porsche AG. There are plans to replace the remaining bridge financing by the end of the fiscal year 2023, partly by means of additional financial instruments.

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 after the end of the fiscal year 2022 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 (see section “Significant events and developments at the Porsche SE Group”). In 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 in the fiscal year 2023. The capital share, which the at equity accounting for the investment in Volkswagen AG is based on, thus amounts to around 31.9% in the fiscal year 2023 compared to the approximately 31.4% that had been applicable in the fiscal year 2022 since classification pursuant to IFRS 5. Had the preference shares not been classified as assets held for sale in the fiscal year 2022, the result from assets held for sale of €22 million would not have arisen, the result from investments in Volkswagen AG accounted for at equity would have been €725 million higher, and the investment result would therefore have been €703 million higher. The group result after tax would have been €700 million higher, earnings per share from continuing operations would have been €2.29 higher and other comprehensive income would have been €5 million lower. The assets classified as held for sale of €314 million would not have existed and the carrying amount of the investment in Volkswagen AG accounted for at equity would have increased by €1,040 million, equity by €723 million and total assets by €727 million.

Between the reporting date and the date of preparing the financial statements, investments were made in three new portfolio investments and one existing portfolio investment in the portfolio investments segment with a total investment volume in the mid-double-digit million euro range.

With the exception of the developments presented in the section “Significant events and developments at the Porsche SE Group”, there were no other reportable events after the reporting date.

Forecast report and outlook

Developments in the global economy

The 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. Risks continue to be seen in protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects will be negatively impacted by ongoing geopolitical tensions and conflicts, with risks continuing to arise from the Russia-Ukraine conflict or other geopolitical hot spots with a global impact. 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. It is assumed that both the advanced economies and emerging markets will show positive momentum on average, albeit with below-average growth in gross domestic product.

For 2023, Volkswagen's planning anticipates that the euro will stabilize against the US dollar and gain slight ground against pound sterling and the Chinese renminbi. It assumes that the Argentinian peso, Brazilian real, Mexican peso, South African rand and Turkish lira will depreciate to varying degrees.

Whether there will be further changes in key interest rates in 2023 in the respective countries will depend firstly on further inflationary trends and secondly on the severity of a possible economic downturn. Overall, Volkswagen expects interest rates to remain relatively high in 2023.

Particularly given the continued uncertainty about future trends in the global economy, Volkswagen expects the prices of many commodities to fall in 2023 with only isolated price rises.

Trends in the markets for passenger cars and light commercial vehicles

The trend in the automotive industry closely follows global economic developments. Volkswagen assumes that competition in the international automotive markets will intensify further. Uncertainty may arise from continued shortages of intermediates and commodities. These may be further exacerbated by the consequences of the Russia-Ukraine conflict and, in particular, lead to rising prices and declining availability of energy.

The Volkswagen Group predicts that trends in the markets for passenger cars in the individual regions will be mixed in 2023. Overall, the global volume of new car sales is expected to be noticeably higher than in the prior year.

Trends in the markets for light commercial vehicles in the individual regions will also be mixed; on the whole, Volkswagen expects a noticeable increase in the sales volume for 2023.

Trends in the markets for commercial vehicles

For 2023, Volkswagen expects a noticeable upwards trend in new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes compared with the prior year, with variations from region to region, in the markets that are relevant for the Volkswagen Group.

A significant increase in overall demand, with regional variations, is expected for 2023 in the bus markets relevant for the Volkswagen Group.

Trends in the markets for financial services

Volkswagen anticipates that automotive financial services will continue to prove highly important to global vehicle sales in 2023. The continuing shortages of intermediates and commodities may generate uncertainty, exacerbated by the consequences of the Russia-Ukraine conflict. Furthermore, the increased interest rates will put pressure on the demand for financial services. The Volkswagen Group expects demand to rise in emerging markets where market penetration has so far been low. Regions with already established automotive financial services markets will probably see a continuation of the trend towards enabling mobility at the lowest possible total cost. Integrated end-to-end solutions, which include mobility-related service modules such as insurance and innovative packages of services, are likely to become increasingly important for this. Additionally, Volkswagen expects that demand will increase for new forms of mobility, such as rental and car subscription (Auto-Abo) services, and for integrated mobility services, for example parking, refueling and charging, and that the shift initiated in the European financial services business with individual customers from financing to lease contracts will continue. Especially in the Chinese market, Volkswagen anticipates an increase in the importance of direct business between manufacturers and customers The seamless integration of financial services into the online vehicle offering will take on increasing importance in efforts to promote this type of business.

In the mid-sized and heavy commercial vehicles category, Volkswagen anticipates rising demand for financial services products in emerging markets. In these countries in particular, financing solutions support vehicle sales and are thus an essential component of the sales process. In the developed markets, Volkswagen expects to see increased demand for telematics services and services aimed at reducing total cost of ownership in 2023.

Anticipated development of the Volkswagen Group

With its brand diversity, broad product range, technologies and services, Volkswagen believes it is well prepared for the future challenges in the mobility business.

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 6% to 7% 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.

Due to Porsche SE's acquisition of ordinary shares in Porsche AG (see section "Significant events and developments at the Porsche SE Group"), the result of the Porsche SE Group is from now on also influenced by the result from investments accounted for at equity that is attributable to Porsche SE and therefore by 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 expects a group result after tax of between €4.5 billion and €6.5 billion for the fiscal year 2023.

As of 31 December 2022, the Porsche SE Group had 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 is expected for the Porsche SE Group.

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

Stuttgart, 15 March 2023
Porsche Automobil Holding SE

The board of management

Glossary

2

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.

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.

Tax rate

The tax rate is the ratio of income taxes to profit before tax, expressed as a percentage. It shows what percentage of the profit generated has to be paid over as tax.

Return on sales before tax

The return on sales is the ratio of profit before tax to revenue in a period, expressed as a percentage. It shows the level of profit generated for each unit of revenue. The return on sales provides information on the profitability of all business activities before deducting income tax expense.

Financials

3

Financials

Consolidated income statement of Porsche Automobil Holding SE for the period from 1 January to 31 December 2022

€ million	Note	2022	2021
Result from investments accounted for at equity	[1]	4,533	4,631
Result from assets held for sale	[2]	22	
Income from investment valuation	[3]	12	5
Expenses from investment valuation	[3]	–11	–22
Result from investments		**4,555**	**4,615**
Other operating income	[4]	179	6
Personnel expenses	[5]	–17	–15
Amortization and depreciation		–1	–1
Other operating expenses	[6]	–25	–32
Result before financial result		**4,691**	**4,572**
Finance costs		–71	–6
Other financial result		14	–1
Financial result	**[7]**	**–57**	**–7**
Result before tax		**4,634**	**4,565**
Income tax	[8]	56	–3
Result after tax from continuing operations		**4,690**	**4,563**
Result after tax from discontinued operations	[15]	96	3
Result after tax		**4,787**	**4,566**
thereof attributable to			
shareholders of Porsche SE		4,787	4,566
non-controlling interests			0
Earnings per ordinary share (basic and diluted) from continuing operations in €	[11]	15.31	14.90
Earnings per ordinary share (basic and diluted) from discontinued operations in €	[11]	0.31	0.01
Earnings per preference share (basic and diluted) from continuing operations in €	[11]	15.32	14.90
Earnings per preference share (basic and diluted) from discontinued operations in €	[11]	0.32	0.01

Consolidated statement of comprehensive income of Porsche Automobil Holding SE for the period from 1 January to 31 December 2022

€ million	**2022**	2021
Result after tax	**4,787**	**4,566**
Remeasurements of pensions	16	7
Deferred tax on remeasurements of pensions	–5	–2
Other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity (before tax)	4,561	1,724
Deferred tax on other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity	–1,433	–426
Deferred tax not to be reclassified to profit or loss in subsequent periods on investments accounted for at equity	–47	–20
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods	3,092	1,283
Currency translation	0	0
Other comprehensive income to be reclassified to profit or loss in subsequent periods from cashflow hedges (before tax)	129	
Deferred tax on other comprehensive income to be reclassified to profit or loss in subsequent periods from cashflow hedges	–39	
Other comprehensive income to be reclassified to profit or loss in subsequent periods from investments accounted for at equity (before tax)	644	928
Deferred tax on other comprehensive income to be reclassified to profit or loss in subsequent periods from investments accounted for at equity	–162	228
Deferred tax to be reclassified to profit or loss in subsequent periods on investments accounted for at equity	–7	–18
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	564	1,138
Other comprehensive income after tax	**3,657**	**2,421**
Total comprehensive income	**8,444**	**6,986**
thereof attributable to		
shareholders of Porsche SE	8,444	6,986
from continuing operations	8,347	6,984
from discontinued operations	96	3
non-controlling interests		0

Consolidated balance sheet of Porsche Automobil Holding SE as of 31 December 2022

€ million	Note	**31/12/2022**	31/12/2021
Assets			
Intangible assets		0	0
Property, plant and equipment		1	1
Investments accounted for at equity	[9]	57,506	41,527
Other financial assets	[10], [19]	204	45
Other assets		0	1
Non-current assets		**57,710**	**41,574**
Other financial assets	[10], [19]	25	1
Other assets		1	1
Income tax receivables	[8]	316	0
Securities	[19]	70	145
Time deposits	[19]	265	225
Cash and cash equivalents	[19]	86	271
Assets classified as held for sale	[15]	314	316
Current assets		**1,076**	**960**
		58,786	**42,533**
Equity and liabilities			
Subscribed capital	[11]	306	306
Capital reserves	[11]	4,884	4,884
Retained earnings	[11]	45,747	40,219
Other reserves (OCI)	[11]	479	–3,214
Equity attributable to shareholders of Porsche SE		51,417	42,196
Non-controlling interests			1
Equity		**51,417**	**42,196**
Provisions for pensions and similar obligations	[12]	27	42
Other provisions	[13]	27	30
Financial liabilities	[14], [19]	3,152	0
Deferred tax liabilities	[8]	172	116
Non-current liabilities		**3,378**	**188**
Provisions for pensions and similar obligations	[12]	1	1
Other provisions	[13]	29	31
Trade payables	[19]	4	2
Financial liabilities	[14], [19]	3,941	0
Other financial liabilities	[19]	1	3
Other liabilities		5	4
Income tax liabilities	[8]	10	
Liabilities associated with assets classified as held for sale	[15]		109
Current liabilities		**3,991**	**149**
		58,786	**42,533**

Consolidated statement of changes in equity of Porsche Automobil Holding SE for the period from 1 January to 31 December 2022

€ million	Equity attributable to the shareholders of Porsche SE						
	Subscribed capital	Capital reserves	Retained earnings	Other reserves (OCI)	Total	Non-controlling interests	Total equity
As of 1 January 2021	306	4,884	36,330	–5,576	35,945	1	35,946
Result after tax			4,566		4,566	0	4,566
Other comprehensive income after tax				2,421	2,421		2,421
Total comprehensive income			4,566	2,421	6,986	0	6,986
Dividends			–676		–676	0	–676
Reclassifications			0		0	0	0
Other changes in equity arising from the level of investments accounted for at equity			0	–59	–60		–60
As of 31 December 2021	**306**	**4,884**	**40,219**	**–3,214**	**42,196**	**1**	**42,196**
As of 1 January 2022	306	4,884	40,219	–3,214	42,196	1	42,196
Result after tax			4,787		4,787		4,787
Other comprehensive income after tax				3,657	3,657		3,657
Total comprehensive income			4,787	3,657	8,444		8,444
Dividends			–783		–783		–783
Other changes in equity arising from the level of investments accounted for at equity[1]			1,525	36	1,560		1,560
Changes in the scope of consolidation			–1	1		–1	–1
As of 31 December 2022	**306**	**4,884**	**45,747**	**479**	**51,417**		**51,417**

[1] Relates primarily to changes in equity in the course of at equity accounting of the investment in Volkswagen AG as a result of the IPO of Porsche AG (see note [9]).

Equity is explained in note [11].

Consolidated statement of cash flows of Porsche Automobil Holding SE for the period from 1 January to 31 December 2022

€ million	**2022**	2021
1. Operating activities		
Result after tax	4,787	4,566
Result after tax from discontinued operations	–96	–3
Result from investments	–4,555	–4,615
Amortization and depreciation	1	1
Interest expenses	71	6
Interest income	–3	0
Income tax expense (+) and income (-)	–56	3
Other non-cash expenses (+) and income (-)	–188	3
Change in other assets	–1	–2
Change in provisions for pensions	0	0
Change in other provisions	–4	8
Change in other liabilities	4	–4
Dividends received	884	756
Interest paid	–52	–1
Interest received	1	1
Income tax paid	0	–4
Income tax received	0	
Cash flow from operating activities from continuing operations	**791**	**713**
Cash flow from operating activities from discontinued operations		20
Cash flow from operating activities	**791**	**733**
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	–7,510	
Cash paid for the acquisition of other shares in entities	–14	–23
Cash received from the disposal of other shares in entities	2	51
Change in investments in securities	75	–3
Change in investments in time deposits	–40	–28
Cash flow from investing activities from continuing operations	**–7,287**	**–3**
Cash flow from investing activities from discontinued operations		–1
Cash flow from investing activities	**–7,287**	**–4**

€ million	2022	2021
3. Financing activities		
Dividends paid to shareholders of Porsche SE	–783	–676
Cash received for loans borrowed	7,070	
Cash paid for settlement of financial liabilities	–1	–1
Cash flow from financing activities from continuing operations	**6,286**	**–677**
Cash flow from financing activities from discontinued operations		–15
Cash flow from financing activities	**6,286**	**–691**
4. Cash and cash equivalents		
Cash and cash equivalents as of 1 January	271	259
plus cash and cash equivalents from discontinued operations as of 1.1.	25	
Change in cash and cash equivalents (subtotal of 1 to 3)	–211	37
less cash and cash equivalents from discontinued operations as of 31.12.		–25
Cash and cash equivalents as of 31 December	**86**	**271**

Note [16] contains further explanations on the consolidated statement of cash flows.

Notes to the consolidated financial statements of Porsche Automobil Holding SE for the fiscal year 2022

Basis of presentation

Porsche Automobil Holding SE (“Porsche SE”, “PSE” 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. The company is registered at the Stuttgart Local Court under HRB 724512.

The activities of the company include in particular the acquisition, holding and management as well as the disposal of investments.

In particular, Porsche SE holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft, Wolfsburg (“Volkswagen AG” or “VW”). Porsche SE also holds a direct interest in Dr. Ing. h.c. F. Porsche AG, Stuttgart (“Porsche AG”). In addition to these two core investments, the Porsche SE Group holds non-controlling interests in technology companies (“portfolio investments”). Until they were transferred in January 2022, Porsche SE also indirectly held all shares in PTV Planung Transport Verkehr GmbH, Karlsruhe (formerly PTV Planung Transport Verkehr AG, Karlsruhe) (“PTV”, together with its subsidiaries the “PTV Group”); for further details see section “Changes in the reporting period”.

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. The sector focus in both categories is on mobility and industrial technology.

The consolidated financial statements of Porsche SE are prepared in accordance with Sec. 315e HGB [“Handelsgesetzbuch”: German Commercial Code] and are in compliance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union as well as the additional requirements of German commercial law.

The fiscal year of the Porsche SE Group covers the period from 1 January to 31 December of a year.

The group’s presentation currency is the euro. Unless otherwise stated, all figures are presented in millions of euro (€ million). 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.

The income statement has been prepared using the nature of expense method.

The board of management prepared the consolidated financial statements and the combined management report of Porsche SE by resolution on 15 March 2023. The period subsequent to the reporting date for which adjusting events can be disclosed ends on that date.

List of shareholdings of the group as of 31 December 2022

	Share in capital as of 31/12/2022	Currency	FX rate 1€ =	Equity in local currency	Result in local currency
	%			thousand	thousand
Fully consolidated entities					
Germany					
Porsche Beteiligung GmbH, Stuttgart	100.0	EUR	-	42,786	0[1]
Porsche Zweite Beteiligung GmbH, Stuttgart	100.0	EUR	-	315,025	0[1]
Porsche Dritte Beteiligung GmbH, Stuttgart	100.0	EUR	-	47,625	0[1]
Porsche Vierte Beteiligung GmbH, Stuttgart	100.0	EUR	-	24	0[1]
Associates					
Germany					
Volkswagen Aktiengesellschaft, Wolfsburg	31.9[2]	EUR	-	40,323,212	12,476,823
Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart	12.5[3]	EUR	-	5,648,484	0[4]
International					
INRIX Inc., Kirkland, Washington[5]	11.3	USD	1.0666	–145,816	–5,614
European Transport Solutions S.à r. l., Luxembourg[6]	35.5	EUR		350,386	–18,661

1 Profit and loss transfer agreement with Porsche SE
2 Diverging from the capital share, the share in voting rights is 53.3% as of the reporting date. Due to the measurement of the preference shares of Volkswagen AG held by Porsche SE in accordance with IFRS 5, the share of Porsche SE's capital in Volkswagen AG to be used as a basis for at equity accounting comes to 31.4% as of the reporting date.
3 Diverging from the capital share, the share in voting rights is 25.0% plus one voting right as of the reporting date.
4 Profit and loss transfer agreement with Porsche Holding Stuttgart GmbH, Stuttgart
5 Consolidated figures taken from the 2021 consolidated financial statements of INRIX Inc., as the consolidated financial statements for 2022 were not yet available at the time of preparing the consolidated financial statements of Porsche SE; INRIX Inc. is an associate because Porsche SE has the power to significantly influence its financial and operating policy decisions through participation rights granted on the board of directors and related committees.
6 Figures pursuant to IFRSs

Porsche Beteiligung GmbH, Porsche Zweite Beteiligung GmbH, Porsche Dritte Beteiligung GmbH and Porsche Vierte Beteiligung GmbH satisfied the conditions of Sec. 264 (3) HGB and make use of the exemption from the requirement to publish financial statements.

Changes in the reporting period

Acquisition of ordinary shares in Porsche AG

On 28 September 2022, Volkswagen placed 25% of the preference shares (including additional allocations) of its subsidiary Porsche AG with investors at a placement price of €82.50 per preference share. These preference shares have been traded on the regulated market of the Frankfurt Stock Exchange since 29 September 2022. The ordinary shares of Porsche AG are not listed. Since the early termination of the stabilization period on 11 October 2022, the free float of the preference shares has been 24.2% of the preference shares. The remaining shares of the preference share capital of Porsche AG continue to be held by Volkswagen Group companies.

The basis for the IPO was a comprehensive agreement to enter into a number of contracts between Volkswagen and Porsche SE. In this context, the two parties agreed that Porsche SE would acquire 25% plus one share of the ordinary shares (around 12.5% of share capital) of Porsche AG from Volkswagen. The price per ordinary share equaled the placement price per preference share plus a premium of 7.5%, and thus was €88.69. The total price for 25% plus one share of the ordinary shares of Porsche AG thus amounted to €10.1 billion. The remaining shares of Porsche AG's ordinary share capital continue to be held by Volkswagen Group companies. Under the share purchase agreement, Volkswagen AG as warrantor provides several warranties to Porsche SE, which essentially puts Porsche SE in the same position as buyers of the preference shares sold under the IPO. In addition, Volkswagen AG assumes a small number of other standard market guarantees, most of them limited to positive knowledge of Volkswagen AG.

Porsche SE acquired a total of 113,875,001 ordinary shares in two tranches, one of 79,712,501 shares (17.5% plus one share of the ordinary shares) and one of 34,162,500 shares (7.5% of the ordinary shares). Closing of the transfer of the first tranche of ordinary shares was contingent on the full placement of the preference shares within the price range, which took place on 28 September 2022 as part of the IPO, as well as on the book transfer of the placement shares against payment of the placement price. Closing, which occurred on 4 October 2022, coincided with the settlement of the purchase price liability of €7.1 billion for the first tranche. Closing of the transfer of the second tranche of ordinary shares was contingent on the closing of the transfer of the first tranche and distribution of a special dividend by Volkswagen AG of 49% of the total gross proceeds from the placement of the preference shares (including any additional allocations) and the sale of the ordinary shares of Porsche AG. Porsche SE had the right to unilaterally waive this second closing condition and in this way initiate at any time an early transfer of the second tranche against payment of the purchase price. Moreover, Porsche SE had the right to bring about the transfer of the second tranche as of 30 December 2022 without amending the due date of the purchase price as of the distribution date of the special dividend. To this end, a lien was to be granted over the ordinary shares of the second tranche to secure Volkswagen's purchase price receivable. Porsche SE exercised this right so that the material transfer of the second tranche was completed on 30 December 2022. As of 31 December 2022, Porsche SE had a purchase price obligation in an amount of €3.0 billion.

The board of management and supervisory board of Volkswagen AG had convened an extraordinary general meeting for 16 December 2022 and proposed a dividend increase of €19.06 per dividend-bearing ordinary share and dividend-bearing preference share (“special dividend”). The extraordinary general meeting passed a corresponding resolution, resulting in the special dividend being paid out to the shareholders of Volkswagen AG on 9 January 2023. Out of the total, an amount of €3.1 billion was attributable to Porsche SE. No capital gains tax was deducted. As a result, Porsche SE had a dividend claim of €3.1 billion against Volkswagen AG as of 31 December 2022. In December 2022, Volkswagen AG and Porsche SE agreed to offset Porsche SE’s dividend claim against Volkswagen AG with Porsche SE’s outstanding purchase price obligation for the second tranche of ordinary shares. In the consolidated financial statements as of 31 December 2022, the dividend receivable and the purchase price liability are therefore presented on a net basis. Upon payment of the special dividend on 9 January 2023, the set-off process was completed and the lien on the ordinary shares of the second tranche granted in connection with the transfer of the second tranche expired.

Volkswagen AG and Porsche SE have agreed in connection with the IPO and the acquisition of ordinary shares of Porsche AG that representatives of Porsche SE will have a significant presence on the supervisory board of Porsche AG. Ultimate decision rights of the shareholder representatives determined by Volkswagen on the supervisory board with regard to the ability to direct the relevant activities at Porsche AG within the meaning of IFRS 10 will ensure continued control by Volkswagen AG. Alongside the share in the ordinary voting shares of Porsche AG of 25% plus one share, the presence of representatives of Porsche SE on the supervisory board of Porsche AG and the granting of protective rights in the shareholder agreement between Volkswagen AG and Porsche SE already constituted significant influence of Porsche SE over Porsche AG within the meaning of IAS 28. Upon setting the price, determining the number of placement shares and admitting the preference shares to trading, the closing conditions of the first tranche were met in substance and benefits and obligations transferred to Porsche SE from 29 September 2022. With the transfer of benefits and obligations of the first tranche, Porsche SE by internal arrangement with Volkswagen also had all the relevant decision-making capabilities associated with the voting rights of the ordinary shares of the second tranche. Furthermore, an early transfer of the second tranche could be initiated by Porsche SE at any time. As a result of these arrangements in the share purchase agreement and the price setting of the preference shares of Porsche AG, Porsche SE was subject to the full risk of a change in value associated with the 25% plus one share of the ordinary shares (around 12.5% of the share capital) of Porsche AG from 29 September 2022. From this point in time Porsche SE thus already had current access to the returns associated with the entire ownership interest. From 29 September 2022 the investment (25% plus one share of the ordinary shares) in Porsche AG was therefore accounted for at equity. In the consolidated balance sheet of Porsche SE, the investment as of this point in time was capitalized at cost of €10.1 billion including acquisition-related costs.

The result in the fiscal year 2022 from measuring the investment in Porsche AG at equity, including the provisional results of the purchase price allocation to be performed for this purpose, is explained in note [1]. The effects of the financial debt of €7.1 billion raised in the course of the transaction on the consolidated financial statements as of 31 December 2022 are presented in note [14].

The IPO of Porsche AG and the acquisition of ordinary shares by Porsche SE also affected the carrying amount of the investment in Volkswagen AG accounted for at equity. These effects are presented in notes [4] and [9].

<u>Sale of the investment in PTV and acquisition of shares in European Transport Solutions S.à r.l., Luxembourg, Luxembourg (“ETS”)</u>

In October 2021, Bridgepoint Advisers Limited, London, UK (“Bridgepoint”), and Porsche SE entered into a partnership to advance the development of PTV. Upon fulfilment of all closing conditions on 6 January 2022, all shares in PTV were transferred to a subsidiary of ETS, effective 31 January 2022. At the same time, Porsche SE for its part acquired a 40% stake in ETS. The purchase price for the acquisition of these shares was paid in a non-cash transaction by transferring part of the purchase price receivable from the sale of the shares in PTV. The consideration received amounted to €0.3 billion. As a result of this partnership, Porsche SE sees a further significant increase in the potential for value development at PTV and hopes to participate in this through the remaining indirect share in the company.

Due to the sale of shares in PTV, Porsche SE has classified the PTV Group as a discontinued operation as defined by IFRS 5 since 30 September 2021 (for further details, please see note [15]). Fulfilling the closing conditions on 6 January 2022 resulted in a loss of control and therefore the deconsolidation of PTV. This resulted in a disposal of assets and liabilities of €0.3 billion and €0.1 billion, respectively, and a deconsolidation gain of around €0.1 billion was recorded in the result from discontinued operations.

As a result of the deconsolidation of PTV as of 6 January 2022, three German and 25 foreign fully consolidated subsidiaries as well as two German and one foreign associate were no longer included in the scope of consolidation.

At the same time, the shares in ETS were recognized at acquisition cost (around €77 million) and ETS has since been included in the consolidated financial statements of Porsche SE as an associate in accordance with the equity method using the initial ownership interest of around 40%.

At the beginning of June 2022, the indirect acquisition of all shares in Econolite Group, Inc., Anaheim, USA (“Econolite”), was completed by ETS. To finance the purchase price, Porsche SE participated in a capital increase with an amount of around €35 million. In turn, the previous owners of Econolite acquired a non-controlling interest in ETS of around 10%, reducing Porsche SE’s stake in ETS through a dilution gain of around €1 million to around 35.5%.

Preference shares of Volkswagen AG

In the period from 29 March 2022 to 6 May 2022, Porsche SE acquired a total of 1.3%, or around 2.6 million, of the preference shares in Volkswagen AG for €400 million via the capital market. This represents a capital share of around 0.5%. This increased Porsche SE's shareholding in Volkswagen AG to 31.9% of subscribed capital. Porsche SE's share of the ordinary shares in Volkswagen AG remains unchanged at 53.3% (for further details, please see note [1]).

As a financing component for the acquisition of ordinary shares in Porsche AG, at the end of June 2022 the supervisory board of Porsche SE approved a disposal plan for up to 2.7 million preference shares in Volkswagen AG. As a result, the preference shares were reported as assets classified as held for sale pursuant to IFRS 5.

In particular in light of the successful placement of a 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 after the end of the fiscal year 2022 that made a sale of the 2.7 million preference shares of Volkswagen AG held by Porsche SE as a financing component by June 2023 not seem highly probable anymore. In the fiscal year 2023, the preference shares were therefore no longer classified as assets held for sale.

In the fiscal year 2022, since the classification of the preference shares as assets held for sale, only the ordinary shares of Volkswagen AG held by Porsche SE were accounted for at equity in the consolidated financial statements of Porsche SE. The investment in Volkswagen AG accounted for at equity comprises several acquisition tranches (see notes [1] and [9]). In the fiscal year 2022, Porsche SE only acquired preference shares. Of the previous acquisition tranches, only the first one contains a small volume of preference shares. As a result of the disposal plan, the applicable capital share of the first tranche for the purpose of at equity accounting therefore also decreased from 29.88% to 29.86%. In the fiscal year 2022, the investment in Volkswagen AG accounted for at equity is thus based on a capital share of 31.4% until April 2022, a capital share of 31.9% from April to June 2022 and since then a capital share of 31.4% again (see notes [1] and [9]).

In the fiscal year 2023, at the time of ending the classification of the preference shares as assets held for sale, the equity method had to be applied retrospectively pursuant to IAS 28.21. The capital share, which the at equity accounting for the investment in Volkswagen AG is based on, thus amounts to 29.88% for the first tranche and 31.9% for the entire investment.

Had the preference shares not been classified as assets held for sale in the fiscal year 2022, the result from assets held for sale of €22 million would not have arisen, the result from investments in Volkswagen AG accounted for at equity would have been €725 million higher, and the investment result would therefore have been €703 million higher. The group result after tax would have been €700 million higher, earnings per share from continuing operations would have been €2.29 higher and other comprehensive income would have been €5 million lower. The assets classified as held for sale of €314 million would not have existed and the carrying amount of the investment in Volkswagen AG accounted for at equity would have increased by €1,040 million, equity by €723 million and total assets by €727 million.

Full consolidation and at equity accounting

The consolidated financial statements of Porsche SE include all entities controlled by Porsche SE by means of full consolidation. An entity is controlled when the parent company has decision-making power over the subsidiary due to voting or other rights, it is exposed to, or has rights to, returns from the subsidiary and has the ability to affect those returns through its power over the investee. First-time full consolidation is performed as of the date on which the acquirer obtains control. A company is no longer fully consolidated upon loss of control.

Companies where Porsche SE is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates) are accounted for at equity. When holding 20% or more of the voting rights, there is a rebuttable presumption that significant influence is given. Conversely, when holding less than 20% of the voting rights, it is presumed that there is no significant influence unless there is clear evidence of such significant influence.

Associates also include companies in which the Porsche SE Group holds the majority of voting rights, but whose articles of association or partnership agreements stipulate that important decisions may not be made without the approval of the other shareholders or where Porsche SE does not have control as defined by IFRSs for other reasons. Porsche SE holds the majority of voting rights in Volkswagen AG. The articles of association of Volkswagen AG prescribe that the State of Lower Saxony has a right to appoint two members of the supervisory board, provided that it holds at least 15% of the ordinary shares in Volkswagen AG. On account of the interest held by the State of Lower Saxony in Volkswagen AG, this delegation right prevents Porsche SE from including the Volkswagen Group in the consolidated financial statements of Porsche SE by way of full consolidation because Porsche SE cannot determine the majority on the supervisory board of Volkswagen AG and it consequently does not have control as defined by IFRSs. Due to the significant influence nonetheless exercised by Porsche SE, its investment in Volkswagen AG is accounted for in the consolidated financial statements of Porsche SE at equity.

Consolidation principles

The financial statements of all subsidiaries and investments accounted for at equity were prepared as of the reporting date of the consolidated financial statements, which is the reporting date of Porsche SE. Where necessary, adjustments are made to uniform group accounting policies.

The Porsche SE Group accounts for business combinations using the acquisition method when the group has obtained control. The consideration transferred during the acquisition as well as the identifiable net assets acquired are measured at fair value. Any goodwill arising is tested for impairment at least once a year. Any profit from an acquisition at a price below the market value is recognized directly through profit or loss. Transaction costs are immediately expensed as incurred.

As of the acquisition date, any contingent consideration obligation is measured at fair value. If the contingent consideration is classified as equity, it is not remeasured as part of subsequent measurement and its settlement is accounted for directly within equity. Other contingent consideration is remeasured at fair value on every reporting date and any fair value changes are recognized through profit or loss.

Non-controlling interests are measured at the time of acquisition at their proportionate share of the acquiree’s identifiable net assets (excluding goodwill).

Any difference arising upon acquisition of additional shares or sale of shares after initial consolidation without loss of control in a subsidiary that has already been fully consolidated is recognized directly within equity.

All intra-group assets and liabilities, equity, income and expenses as well as cash flows relating to transactions between members of the group are eliminated in full on consolidation.

If the Porsche SE Group loses control over a subsidiary, the assets and liabilities attributable to the subsidiary and all related non-controlling interests and other components of equity are derecognized. Any resultant gain or loss is recognized through profit or loss. Any investment retained is recognized at fair value.

At equity accounting

When investments in associates are acquired, they are generally recognized at cost, including acquisition-related costs, as of the date of initial recognition. In the event of partial sale or loss of control of previously fully consolidated subsidiaries, the investments in associates are recognized at fair value as of the date when control is lost. Any positive difference between the acquisition cost of the shares and the proportionate fair value of the identified assets, liabilities and contingent liabilities is recognized as goodwill in an ancillary calculation. Identified hidden reserves and liabilities along with goodwill are included in the carrying amount of the investment. Goodwill is neither amortized nor individually tested for impairment. Any negative difference between the acquisition cost of the shares and the proportionate fair value of the identified assets, liabilities and contingent liabilities is recognized as a gain through profit or loss at the date of acquisition.

In subsequent periods, the carrying amount is subsequently measured to reflect the Porsche SE Group's share of changes in net assets of the associate, including hidden reserves and liabilities ("at equity method"). The Porsche SE Group's share in the result after tax of the investment less the share of the result of non-controlling interests and hybrid investors of the investment is recognized in the income statement within the item "result from investments accounted for at equity". The Porsche SE Group's share in the other comprehensive income of these investments is recognized in the other comprehensive income of the Porsche SE Group. Furthermore, changes recognized directly in equity of the associate are also recognized directly on a pro rata basis in equity of the Porsche SE Group, provided these changes are not caused by transactions with Porsche SE itself. Dividends received lead to a reduction of the investment's carrying amount with no effect on the Porsche SE Group's income statement or equity.

If information on significant intercompany profits from transactions between associates ("sidestream transactions") is available, the Porsche SE Group eliminates intercompany profits equivalent to the sum of its shares in both associates in the course of at equity accounting.

When additional interests are acquired without a change in status, each tranche is generally accounted for separately using the equity method, i.e., the positive or negative difference between the proportionate remeasured equity of the investee and the acquisition cost of the interest is calculated for the acquired interests and subsequent measurement of equity is accounted for individually (in tranches). Any negative difference attributable to the new interest is recognized through profit or loss at the time of acquisition.

An impairment test is carried out whenever there is objective evidence that the entire carrying amount of the investment is impaired. This also includes proportionate market capitalization of the associate below the carrying amount. If the carrying amount of the investment exceeds its recoverable amount, a difference is recognized as an impairment loss through profit or loss. When an impairment loss has been recognized in prior periods, it is assessed at least once a year whether there is any indication that the reason for a previously recognized impairment loss no longer exists or has decreased. If this is the case, the recoverable amount is recalculated and an impairment previously recognized that no longer exists is reversed. Expenses from impairments and income from reversals of impairment losses are recognized under the "result from investments accounted for at equity".

Currency translation

In the separate financial statements of Porsche SE and the consolidated subsidiaries, business transactions in foreign currencies are translated using the rates at the time of the transactions. In the balance sheet, monetary assets and liabilities denominated in foreign currencies are measured at the closing rate, and any resulting exchange gains or losses are recognized through profit or loss.

The financial statements of foreign companies are translated into euros using the functional currency concept. Assets, liabilities and contingent liabilities are translated at the closing rate as of the reporting date, while equity is translated at historical rates except for other reserves (OCI). Any resulting exchange rate differences are recognized in other comprehensive income until the disposal of the subsidiaries and disclosed under other reserves (OCI) within equity. The income statement is translated using average exchange rates.

At the level of the Porsche SE Group, business transactions denominated in foreign currency were directly relevant until the deconsolidation of PTV (see “Changes in the reporting period”). Since then, the Porsche SE Group has only been affected indirectly by business transactions at the level of the associates through the subsequent measurement of their carrying amounts accounted for at equity.

The exchange rates applied for translating transactions to the euro are presented in the following table.

		Balance sheet Closing rate		Income statement Average rate	
	1€=	**31/12/2022**	31/12/2021	**2022**	2021
Argentina	ARS	188.7587	116.2451	136.6728	112.2969
Australia	AUD	1.5706	1.5612	1.5175	1.5748
Brazil	BRL	5.6444	6.3068	5.4444	6.3812
Canada	CAD	1.4440	1.4417	1.3705	1.4833
Czech Republic	CZK	24.1450	24.8590	24.5583	25.6539
India	INR	88.1640	84.1690	82.7346	87.4646
Japan	JPY	140.6650	130.3200	138.0236	129.8605
Mexico	MXN	20.8879	23.1418	21.2121	23.9955
People’s Republic of China	CNY	7.3661	7.1870	7.0814	7.6333
Poland	PLN	4.6860	4.5943	4.6857	4.5654
Republic of Korea	KRW	1,338.2950	1,344.9650	1,358.1973	1,353.9383
Russia	RUB	76.2868	84.9779	73.2742	87.2288
South Africa	ZAR	18.0795	18.0532	17,2032	17.4823
Sweden	SEK	11.0787	10.2548	10.6278	10.1460
United Kingdom	GBP	0.8868	0.8400	0.8526	0.8600
USA	USD	1.0677	1.1320	1.0541	1.1834

Accounting policies

The assets and liabilities of the companies included in the consolidated financial statements are accounted for using uniform accounting policies applicable at the Porsche SE Group. Generally speaking, the same accounting policies are also used at the level of the associates.

Since the contributions to profit or loss made by the investments in Porsche AG and in particular in Volkswagen AG accounted for at equity have a significant impact on the results of operations and net assets of the Porsche SE Group, accounting policies relevant only for transactions within the Volkswagen Group, of which Porsche AG is a component, are also included in the explanations below.

The structure of the consolidated income statement was expanded in the reporting year to include the separate presentation of the result from assets classified as held for sale within the result from investments.

Measurement principles

With the exception of certain items, for example the investments accounted for at equity or financial instruments at fair value, the consolidated financial statements are prepared using the historical cost principle. The measurement principles used are described below in detail.

Intangible assets

Goodwill

Goodwill acquired in business combinations is measured at cost less any accumulated impairment losses. At the level of the Porsche SE Group, there is no goodwill resulting from business combinations as of the reporting date.

Research and development

Research costs are expensed in the period as they are incurred. Development costs of an intangible asset are only recognized if they can be measured reliably, the development project is technically feasible, a future economic benefit is probable and the group has both the intention and sufficient resources to complete the development and to use or sell the asset. After their initial recognition as an asset, development costs are recognized at cost less accumulated amortization and any accumulated impairment losses. Economic useful lives range from three to nine years. At the level of the Porsche SE Group, no research and development expenses were incurred in the fiscal year.

Other intangible assets

Purchased intangible assets with finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with indefinite useful lives are not amortized, but instead tested annually for impairment.

Intangible assets with finite useful lives are amortized on a straight-line basis over their useful life. Useful lives mainly range from three to nine years. Within the Porsche SE Group, other intangible assets recognized as of the reporting date do not contain any assets with indefinite useful lives.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation over their economic useful life as well as any accumulated impairment losses. Self-constructed items of property, plant and equipment are recognized at cost. Cost is determined on the basis of the direct and the proportionate indirect production-related costs. Investment grants received for assets are generally deducted from cost.

Property, plant and equipment are depreciated over the estimated useful life on a straight-line basis pro rata temporis.

Depreciation is based mainly on the following useful lives:

	Years
Buildings	20 to 50
Site improvements	10 to 20
Technical equipment and machinery	6 to 12
Other equipment, furniture and fixtures (including special tools)	3 to 15

At the level of the Porsche SE Group, there is only other equipment, furniture and fixtures.

Net carrying amounts, depreciation methods and useful lives are regularly reviewed as of the reporting date, and adjusted prospectively as changes in estimates if appropriate.

Property, plant and equipment are derecognized either upon disposal or when no future economic benefits are expected from the continued use or sale of a recognized asset. The gain or loss arising from the derecognition of the asset, determined as the difference between net disposal proceeds and the asset's carrying amount as of the date of disposal, is included in profit or loss for the corresponding period.

Leases

Pursuant to IFRS 16, it is assessed at inception of a contract whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to use an asset for a period of time in exchange for consideration.

The lessee generally recognizes a right-of-use asset and a lease liability in its balance sheet for all leases. The lease liability is measured at the amount of the outstanding lease payments discounted using the incremental borrowing rate, while the right-of-use asset is generally measured at the amount of the lease liability plus any initial direct costs. During the lease term, the right-of-use asset is depreciated over the term of the lease. Options to extend or terminate the lease are taken into account when determining the lease term if it is reasonably certain that the options will be exercised. The lease liability is subsequently measured using the effective interest method and taking into account the lease payments. Right-of-use assets recognized in the balance sheet are presented in the balance sheet item under which the assets underlying the lease would have been recognized had they been owned by the lessee.

The Porsche SE Group acts exclusively as lessee, in particular for buildings and vehicles. The exemptions for short-term leases and leases for low-value assets are used. No right-of-use asset or liability is recognized for such leases and the lease payments are recognized as an expense in the income statement. Leases for which right-of-use assets and liabilities are recognized are immaterial; the right-of-use assets are recognized as non-current assets under property, plant and equipment and the lease liabilities as financial liabilities.

At the level of the Volkswagen Group, there are also leases that have Volkswagen Group companies as lessor. The accounting treatment for such leases is based on the classification into operating leases and finance leases. This classification is made on the basis of the distribution of risks and rewards incidental to ownership of the lease asset. For operating leases, the principal risks and rewards remain with the lessor. Vehicles leased out under operating leases are recognized at cost and depreciated to their estimated residual value using the straight-line method over the term of the lease. Impairments identified pursuant to IAS 36 are recognized as impairment losses. The forecast residual values are adjusted to include constantly updated internal and external information on residual values, depending on specific local factors and the experiences gained in the marketing of used cars. This requires making assumptions in particular about vehicle supply and demand in the future, as well as about vehicle price trends. Such assumptions are based either on qualified estimates or on data published by external experts. Qualified estimates are based on external data – if available - that reflects additional information that is available internally, such as historical experience and current sales data. Under a finance lease, the material risks and rewards are transferred to the lessee. The lease asset is derecognized from the fixed assets of the associate and instead a receivable is recognized in the amount of the net investment in the lease.

Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of that qualifying asset. There are no qualifying assets at the level of the Porsche SE Group.

Impairment test

An impairment test is performed at least once a year for goodwill, intangible assets not yet ready for use and intangible assets with an indefinite useful life. For intangible assets with finite useful lives, property, plant and equipment as well as investments accounted for at equity an impairment test is only performed when there is objective evidence that the asset may be impaired. At the end of each reporting period, the group assesses whether there is any indication of impairment. With respect to the procedure for impairment testing of investments accounted for at equity, reference is made to the “At equity accounting” section contained in “Consolidation principles”. As of 31 December 2022, at the level of the Porsche SE Group, continuing operations do not contain any goodwill, intangible assets not yet ready for use or intangible assets with an indefinite useful life.

The recoverable amount is determined in the course of impairment testing. The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of the estimated future cash flows expected to arise from the continuing use of the asset and its disposal using a discounted cash flow method or capitalized earnings method.

The recoverable amount is generally determined separately for each asset. If it is not possible to determine the recoverable amount for an individual asset because it does not generate cash inflows that are largely independent of the cash inflows from other assets, it is determined on the basis of a group of assets that constitutes a cash-generating unit.

If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognized to account for the difference. It is reviewed on an annual basis whether the reasons for any previously recognized impairment loss still exist. If such reasons no longer exist, the impairments are reversed through profit or loss (with the exception of goodwill). The amount reversed cannot exceed the amount that would have been determined as the carrying amount, net of any depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

Investment property

Real estate and buildings held in order to obtain rental income (investment property) are carried at amortized cost; the useful lives applied to depreciation generally correspond to those of the property, plant and equipment used by the company itself. There is no investment property at the level of the Porsche SE Group.

Inventories

Inventories are carried at the lower of cost or net realizable value as of the reporting date.

Cost is determined on the basis of the direct and indirect costs that are directly attributable. Borrowing costs are not capitalized. The measurement of same or similar inventories is generally based on the weighted average cost method. There are no inventories at the level of the Porsche SE Group.

Financial instruments

Financial instruments are contracts that give rise to a financial asset of one company and a financial liability or an equity instrument of another.

Initial recognition of financial instruments

If, within the scope of application of IFRS 9, the trade date of a financial instrument differs from the settlement date, it is initially accounted for at the settlement date. At the level of the Porsche SE Group, there were no instances of application that could lead to effects from the timing difference between the trade and settlement date. Initial recognition of a financial asset (with the exception of trade receivables without any significant financing component) or a financial liability is at fair value plus, in the case of financial instruments not measured at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at transaction price.

Subsequent measurement of financial assets

Financial assets are divided for subsequent measurement into four categories in line with the regulations of IFRS 9:

- Financial assets (debt instruments) at amortized cost (FAAC)
- Financial assets (debt instruments) at fair value with recognition of fair value changes through other comprehensive income (FVOCI debt instruments)
- Financial assets (equity instruments) at fair value with recognition of fair value changes through other comprehensive income (FVOCI equity instruments)
- Financial assets at fair value with recognition of fair value changes through profit or loss (FVtPL)

The classification and measurement of financial assets is based on the business model used and the structure of the cash flows.

Financial assets at amortized cost are held under a business model that is aimed at collecting contractual cash flows. The cash flows of these assets relate solely to principal and interest payments at specified times on the principal amount outstanding. In subsequent periods, financial assets at amortized cost are measured using the effective interest method and tested for impairment. Gains or losses are recognized through profit or loss when the financial asset is derecognized, modified or impaired. At the level of the Porsche SE Group, this category primarily includes securities, time deposits, cash and cash equivalents and other financial receivables. At the level of the Volkswagen Group, trade receivables and receivables from the financial service business are also allocated to this category.

An FVOCI debt instrument is recognized at fair value with recognition of fair value changes through other comprehensive income if it is held under a business model that is aimed at both collecting contractual cash flows and selling financial assets. Interest income, currency translation gains and losses as well as impairment losses or reversals of impairment losses are recognized through profit or loss and calculated in the same way as financial assets measured at amortized cost. The remaining changes in fair value are recognized through other comprehensive income. Upon derecognition, cumulative gains or losses from changes in fair value recognized through other comprehensive income are reclassified to profit or loss. No financial assets are currently allocated to this category at the level of the Porsche SE Group. However, other comprehensive income of the Porsche SE Group does contain corresponding proportionate changes in fair value of FVOCI debt instruments at the level of the Volkswagen Group as a result of applying at equity accounting.

Upon initial recognition of an equity instrument as defined by IAS 32 not held for trading, the option can irrevocably be exercised to recognize fair value changes through other comprehensive income rather than through profit or loss. It is not permitted to reclassify income and expenses previously recognized in other comprehensive income to profit or loss at a later stage. Upon the disposal of the equity instrument, accumulated income or expenses are reclassified within equity to retained earnings. By contrast, dividends are generally recognized through profit or loss for these instruments. FVOCI equity instruments are not tested for impairment. The option can be exercised for each investment on a case-by-case basis. This option is currently not exercised at the Porsche SE Group. At the level of the Volkswagen Group, this option is generally exercised for equity investments.

All financial assets that are not measured at amortized cost (FAAC) or at fair value with changes in fair value recognized through other comprehensive income (FVOCI) are measured at fair value with changes in fair value recognized through profit or loss (FVtPL). Net gains and losses, including any interest or dividend income, are also recognized through profit or loss. The fair value option, according to which other financial assets can be designated as at fair value through profit or loss upon initial recognition, is not applied. At the level of the Porsche SE Group, this category is largely made up of portfolio investments as well as derivatives outside of hedge accounting. At the level of the Volkswagen Group, this category is largely made up of derivatives outside of hedge accounting and shares in investment funds.

Dividend income is recognized when the group’s right to receive the payment is established.

Impairment losses on financial instruments

Financial assets are exposed to default risk, which is taken into account by recognizing loss allowances or, if losses have already been incurred, by recognizing an impairment loss.

Default risk on receivables and loans within the financial services business at the level of the Volkswagen Group is accounted for by recognizing specific loss allowances and portfolio-based allowances. In particular, a loss allowance is recognized on these financial receivables in the amount of the expected loss in accordance with group-wide standards. The actual specific loss allowances of the losses incurred are then charged to this loss allowance. A potential impairment is assumed not only for a number of situations such as delayed payment over a certain period of time, the institution of enforcement measures, the threat of insolvency or overindebtedness, application for or the opening of bankruptcy proceedings or the failure of financial reorganization measures, but also for receivables that are not past due. Portfolio-based loss allowances are recognized by grouping together insignificant receivables and significant individual receivables for which there is no indication of impairment into homogeneous portfolios on the basis of comparable credit risk features and allocating them by risk class. Average historical default probabilities are used in combination with forward-looking parameters for the portfolio concerned to calculate the amount of the impairment loss.

As a matter of principle, a simplified process, which takes historical default rates and forward-looking information into account, and specific loss allowances are used to account for impairment losses on receivables outside the financial services segment of the Volkswagen Group.

At the level of the Porsche SE Group, there are no longer any trade receivables following the deconsolidation of PTV. The financial assets of Porsche SE that fall within the scope of application of the impairment model pursuant to IFRS 9 mainly consist of short-term time deposits, securities and cash and cash equivalents (see note [19]).

Subsequent measurement of financial liabilities

For purposes of subsequent measurement, financial liabilities are divided into two categories:

- Financial liabilities at fair value through profit or loss (FVtPL), and

- Financial liabilities at amortized cost (FLAC)

Financial liabilities at fair value through profit or loss (FVtPL) include financial liabilities held for trading and other financial liabilities designated as at fair value through profit or loss upon initial recognition (fair value option). These also include derivatives that are not designated as hedging instruments. Financial liabilities in this category are measured at fair value and net gains and losses, including interest expenses, are recognized through profit or loss. The fair value option for financial liabilities is not applied. At the Porsche SE Group, there are no liabilities at fair value through profit or loss. At the Volkswagen Group, this category includes derivatives that were not designated as hedging instruments.

Other financial liabilities are subsequently measured at amortized cost (FLAC) using the effective interest method. Interest expenses and currency translation differences are recognized through profit or loss. Gains and losses from derecognition are also recognized through profit or loss. This category primarily includes trade payables, financial liabilities and other financial liabilities.

Derivative financial instruments

Derivative financial instruments are measured at fair value in subsequent periods.

The accounting treatment of changes in fair value of hedging instruments depends on the nature of the hedging relationship. In the case of hedges against the risk of change in the fair value of balance sheet items (fair value hedges), both the hedging instrument and the hedged risk portion of the hedged item are measured at fair value. Gains or losses from the measurement of hedging instruments and hedged items are recognized through profit or loss.

In the case of cash flow hedges, the hedging instruments are also measured at fair value. Both the designated effective portion of the hedging instrument as well as the non-designated effective portion of the hedging instruments (“hedging costs”) is recognized in the cash flow hedge reserve through other comprehensive income. The effects are only reclassified through profit or loss when the hedged item is realized. The ineffective portion of a hedging instrument is recognized through profit or loss immediately.

At the level of the Porsche SE Group, only cash flow hedges are accounted for under hedge accounting. At Porsche SE, no hedging costs within the meaning of IFRS 9 were incurred in the fiscal year 2022. As a result of including the investments in Volkswagen AG and Porsche AG accounted for at equity in the consolidated financial statements of Porsche SE, the effects from hedge accounting at the level of the Volkswagen Group are, in line with the accounting policies mentioned above, also recognized proportionately at the level of the Porsche SE Group through profit or loss (within the result from investments accounted for at equity) or through other comprehensive income.

Fair value of financial instruments

Fair value corresponds to the market or stock price, provided the financial instruments measured are traded on an active market. If there is no active market for a financial instrument, fair value is calculated using appropriate valuation techniques such as generally accepted option pricing models or discounting future cash flows at the market interest rate, or by referring to the most recent business transactions between knowledgeable, willing and independent business partners. The carrying amount of current financial assets and liabilities not measured at fair value provides an approximation of their fair value.

Offsetting of financial instruments

Financial assets and liabilities are presented net in the balance sheet only if the group has a present contractual right to settle net and if it intends to settle the liability on a net basis or by settling the liability together with realization of the asset.

Derecognition of financial instruments

Financial assets are primarily derecognized when the contractual right to the cash flows has expired or this right is transferred to a third party. Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expired.

Income tax

Deferred tax assets are generally recognized for tax-deductible temporary differences between the tax base and carrying amounts in the consolidated balance sheet (taking into account temporary differences arising from consolidation) as well as on tax loss carryforwards and tax credits provided it is probable that they can be used in future periods. Deferred tax liabilities are generally recognized for all taxable temporary differences between the tax base and carrying amounts in the consolidated balance sheet (temporary concept). Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries, investments in associates and interests in joint ventures are not recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. As the timing of the reversal of the temporary taxable differences in connection with the investment in associates, Volkswagen AG in particular, cannot be managed due to lack of control, deferred tax liabilities are recognized on these temporary differences. Deferred tax assets that are unlikely to be realized within a clearly predictable period are reduced by loss allowances. A previously unrecognized deferred tax asset is reassessed and recognized to the extent that it has become probable that future taxable profit will allow it to be realized.

Deferred tax is measured on the basis of the tax rates that apply or that are expected to apply based on the current legislation in the individual countries at the time of realization. Deferred tax is not discounted.

Deferred tax assets and deferred tax liabilities are offset if the group entities have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

Current income tax assets and liabilities for the current and for prior periods are measured at the amount expected to be refunded by or paid to the taxation authorities. The tax rates and tax laws applied for measurement are those that are enacted at the reporting date.

Deferred and current tax relating to items recognized through other comprehensive income or directly in equity is likewise recognized through other comprehensive income or directly in equity. This also includes deferred taxes on the investment in Porsche AG and in particular in Volkswagen AG.

Assets classified as held for sale and liabilities associated with assets classified as held for sale

Under IFRS 5, non-current assets or groups of assets and liabilities are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such assets and liabilities are carried at the lower of their carrying amount and fair value less costs to sell, and are presented separately within current assets and liabilities in the balance sheet. Intangible assets and property, plant and equipment are no longer amortized/depreciated.

Discontinued operations are components of an entity that have either been disposed of or are classified as held for sale. The assets and liabilities of operations that are held for sale represent disposal groups that must be measured and reported using the same principles as non-current assets held for sale. Discontinued operations are presented separately from continuing operations in the consolidated income statement and consolidated statement of cash flows; prior years are presented on a comparable basis.

Provisions for pensions and similar obligations

The provisions for obligations from defined benefit plans are measured using the projected unit credit method in accordance with IAS 19. Remeasurement effects as a result of changes in parameters are recognized through other comprehensive income after deferred tax has been taken into account.

If pension obligations are funded by plan assets, the obligation and the assets are offset. Service cost is presented as personnel expense while net interest from provision obligations and plan assets is presented in finance costs.

Other provisions

Other provisions are recognized if a past event has led to a current legal or constructive obligation to third parties that is expected to lead to a future outflow of resources embodying economic benefits that can be estimated reliably. Provisions are generally measured at the expected settlement amount, taking into account all identifiable risks. The settlement amount is calculated on the basis of the best estimates and also includes estimated cost increases.

Litigation costs relating to legal proceedings where the group is the defendant are provided for at the amount of the expected legal fees. Any obligations to pay damages or penalties are taken into account in the measurement only if their occurrence is considered to be probable.

Non-current provisions are stated at their discounted settlement amount at the reporting date. The interest rate used is a pre-tax rate that reflects current market assessments of the interest effect and the risks specific to the liability. The interest expense resulting from the unwinding of the discount is presented in finance costs.

Provisions are not offset against refund claims from third parties. Refund claims are recognized separately in other assets or other financial assets if it is virtually certain that the Porsche SE Group will receive the refund when it settles the obligation.

Government grants

Government grants related to assets are deducted from the carrying amount and recognized through profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge. If a claim to a government grant arises subsequently, the amount of the grant attributable to prior periods is recognized through profit or loss. Government grants that compensate for expenses incurred are recognized through profit or loss in the period and in the items where the expenses to be compensated are incurred. At the Porsche SE Group, there were no accounting issues in connection with government grants in the fiscal year 2022.

Income and expenses

Revenue, interest and commission income from financial services of the Volkswagen Group as well as other operating income are generally not recognized until the relevant services have been rendered or the customer has obtained control of the goods or services.

When standard software or its license for an unlimited period is sold, the income is realized at the level of associates upon delivery or acquisition of the power of disposition. License revenue for software maintenance and support is recognized ratably over the term of the service being rendered and invoiced in advance on an annual or quarterly basis. User charges on a temporal basis are recognized on a straight-line basis over the term of the agreement.

In contracts at the level of associates under which the goods or services are transferred over a period of time, revenue is recognized, depending on the type of goods or service provided, either according to the stage of completion or, to simplify, on a straight-line basis. The latter option, however, only applies if straight-line revenue recognition does not differ materially from recognition based on the stage of completion. As a rule, the stage of completion is determined as the proportion that contract costs incurred by the end of the reporting period bear to the estimated total contract costs (cost-to-cost method). Contract costs incurred invariably represent the best way to measure the stage of completion for the performance obligation. If the outcome of a performance obligation satisfied over time is not sufficiently certain, but the company expects, as a minimum to recover its costs from the customer, revenue is only recognized in the amount of the contract costs incurred. If the expected costs exceed expected revenue, the expected loss is recognized immediately in full as expenses by recognizing impairment losses on the associated contract assets recognized and, additionally by recognizing provisions for any amounts in excess of the impairment loss. Until the performance obligation has been completely satisfied, revenue is realized by recognizing contract assets. If the prepayments made by the contractual partner exceed the capitalized amount, the net item is recognized as a contract liability. As soon as the performance obligation has been completely satisfied, the contract asset is replaced by a trade receivable.

If a contract comprises several separately identifiable performance obligations (multiple-element arrangements), these components are recognized separately in accordance with the principles outlined above.

Where new and used vehicles and original parts at the level of the Volkswagen Group are sold, performance invariably occurs upon delivery, because that is the point when control is transferred, and the inventory risk and, for deliveries to a dealer, invariably also the pricing decision pass to the customer. Revenue is reported net of sales allowances (discounts, price concessions, customer bonuses and rebates). Sales allowances and other variable consideration are measured on the basis of experience and by taking account of current circumstances. Vehicles are normally sold to dealers on payment terms. Financing components are only accrued if the period between the transfer of the goods and the payment of consideration is longer than one year and the amount to be accrued is significant.

Revenue from financing and finance lease agreements at the level of the Volkswagen Group is recognized using the effective interest method. If non-interest-bearing or low-interest vehicle financing arrangements are agreed, revenue is reduced by the interest benefits granted. Revenue from operating leases is recognized over the term of the contract on a straight-line basis.

If, at the level of the Volkswagen Group, services are sold together to the customer at the same time as the vehicle and the customer pays for them in advance, the Volkswagen Group recognizes a corresponding contract liability until the services have been transferred. Examples of services that the customers pay for in advance are servicing, maintenance and certain warranty contracts as well as mobile online services. For extended warranties granted to customers for a particular model, a provision is normally recognized in the same way as for statutory warranties. If the warranty is optional for the customer or it includes an additional service component, the related revenue is deferred and realized over the term of the warranty.

Income from the sale of assets at the level of the Volkswagen Group for which there is a buyback obligation is recognized only when the assets have definitively left the Volkswagen Group. If a fixed repurchase price was agreed when the contract was entered into, the difference between the selling price and present value of the repurchase price is recognized ratably as income over the term of the contract. Prior to that time, the assets are carried as inventories in the case of short contract terms and as lease assets in the case of long contract terms.

Revenue at the level of associates is generally determined on the basis of the price stated in the contract. If variable consideration has been agreed in the contract (e.g. volume-based bonus payments), revenue is generally estimated using the expected value method. In exceptional cases, the most probable amount method may also be used. Once the expected revenue has been estimated, an additional check is carried out to determine whether there is any uncertainty that necessitates the reversal of the revenue initially recognized so that it can be virtually ruled out that revenue subsequently has to be adjusted downward. At the level of Volkswagen Group, provisions for reimbursements arise mainly from dealer bonuses.

In multiple-element arrangements at the level of associates, the transaction price is allocated to the different performance obligations of the contract on the basis of relative standalone selling prices. In the automotive division at the level of the Volkswagen Group, non-vehicle-related services are invariably measured at their standalone selling prices for reasons of materiality.

Production- and manufacture-related expenses are recognized upon delivery or utilization of the service, while all other expenses are expensed as incurred. The same applies for research costs and for development costs not eligible for recognition.

No revenue is generated at the level of Porsche SE.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation to third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the reporting company. Contingent liabilities also include present obligations arising from past events which are not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. If it is deemed that an outflow of resources is not remote, the estimated financial impact of contingent liabilities is, where practicable, disclosed in the notes to the financial statements and, where this is not practicable, an explanation of contingent liabilities is provided.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Contingent assets are not recognized as an asset, as this would result in the recognition of income that potentially may never be realized. An explanation is provided in the notes if an inflow of economic benefits is probable. However, if the realization of income is virtually certain, it is not recognized as a contingent asset but instead as an asset.

Accounting judgments, estimates and assumptions of the management

The preparation of the consolidated financial statements requires of the board of management judgments, estimates and assumptions that have an effect on the recognition, measurement and presentation of assets, liabilities, income and expenses and the accompanying disclosures, as well as the disclosure of contingent assets and liabilities. Actual results may deviate from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognized prospectively.

A key source of accounting judgments and estimate uncertainties that therefore could have significant effects on the results of operations, financial position and net assets of the Porsche SE Group is the diesel issue, which came to light in September 2015. Porsche SE is directly affected by the diesel issue on account of the claims asserted against it, in particular in the form of legal proceedings (see note [20]). Provisions have been set up for the expected attorneys' fees and litigation expenses. The outcome of litigation is subject to substantial estimation risks. Beyond the direct effects, the estimation risks at the level of the Volkswagen Group may also have significant indirect effects on the Porsche SE Group. This largely relates to the result from investments accounted for at equity (see note [1]) and the carrying amount of the investment in Volkswagen AG accounted for at equity (see note [9]) as well as potential subsequent effects of an amended dividend policy of Volkswagen AG.

Furthermore, due to its role as holding company, Porsche SE is mainly exposed to the potential effects of climate change and future regulatory changes indirectly via its investments in Volkswagen AG and Porsche AG. Potential effects stemming from this therefore primarily have an impact on the consolidated financial statements of Porsche SE, through the result of the Volkswagen Group and Porsche AG Group attributed to Porsche SE under the equity method as well as due to impairment tests and purchase price allocations performed on the basis of multi-year planning of the Volkswagen Group and Porsche AG Group. Regarding the consideration of the potential effects of climate change on the consolidated financial statements and the multi-year planning of Volkswagen AG and Porsche AG, reference is made to the section "Accounting judgments, estimates and assumptions of the management at the level of the Volkswagen Group".

Judgments when applying the accounting policies that significantly impact the amounts recognized in the financial statements relate to the matters listed below and are explained in the notes referred to below:

- recognition of provisions and disclosure of contingent liabilities in connection with legal disputes relating to the increase of the investment in Volkswagen AG and the diesel issue (see note [20]) and

- contingent assets from tax matters (see note [21]).

Estimates and assumptions as of 31 December 2022 that can give rise to a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year relate to the following matters and are explained in the notes referred to below:

- calculations of recoverable amounts when testing the carrying amounts of investments for impairment and reversal of impairment (see notes [1] and [9] as well as section "Accounting judgments, estimates and assumptions of the management at the level of the Volkswagen Group" with regard to the assumptions relating to the development of the general economic environment, the impact of the Russia-Ukraine conflict, the Covid-19 pandemic and the semiconductor shortage as well as the effects of climate change)

- purchase price allocations for the acquisitions of preference shares of Volkswagen AG and of ordinary shares of Porsche AG (see section "Changes in the reporting period", note [1]) as well as section "Accounting judgments, estimates and assumptions of the management at the level of the Volkswagen Group" with regard to the assumptions relating to the development of the general economic environment, the impact of the Russia-Ukraine conflict, the Covid-19 pandemic and the semiconductor shortage as well as the effects of climate change)
- the measurement of provisions and contingent liabilities in connection with legal disputes relating to the increase of the investment in Volkswagen AG and the diesel issue (see note [20]) and
- the measurement of current and deferred tax (see note [8]).

Accounting judgments, estimates and assumptions of the management at the level of the Volkswagen Group

As the contributions to profit or loss made by the investments accounted for at equity have a significant impact on the results of operations and net assets of the Porsche SE Group, matters involving significant judgments, estimates and assumptions at the level of the Volkswagen Group, which includes Porsche AG and its subsidiaries, are presented below.

Development of the general economic environment, the automotive markets and the legal environment

Following the slump in global economic output in 2020 and the incipient recovery due to base and catch-up effects in 2021, the global economy recorded positive overall growth of 3.0% in 2022 (prior year: growth of 6.0%). Both the advanced economies and the emerging markets remained on an economic recovery course on average, albeit with diminishing momentum and slower growth overall than in the prior year. The Volkswagen Group's planning is based on the assumption that global economic output will grow overall in 2023, albeit at a slower pace. Volkswagen expects the persistently high inflation in many regions and the restrictive monetary policy measures taken by central banks to rein this in to increasingly dampen consumer spending. Volkswagen continues to see risks in protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, Volkswagen sees continuing geopolitical tensions and conflicts as weighing on growth prospects; the Russia-Ukraine conflict also holds risks. Volkswagen also cannot rule out that risks may arise if new variants of the SARS-CoV-2 virus occur, particularly regional outbreaks and the associated political measures. Volkswagen 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. Moreover, Volkswagen expects the global economy to recover in 2024 and continue on a path of stable growth until 2027. Following high rates of inflation in 2022, inflationary trends are expected to be at a slightly lower level in 2023.

Impact of the Russia-Ukraine conflict, the Covid-19 pandemic and the semiconductor shortage

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. In addition, the parts supply shortages intensified in this context directly after the start of the conflict. In the Volkswagen Group, this particularly affected the supply of cable harnesses from Ukraine. Volkswagen took immediate action to clear these supply bottlenecks from Ukraine, with the result that there are no material bottlenecks in this regard at present.

Moreover, different sanctions have been imposed on Russia as a result of the conflict, especially by the EU and the USA. They restrict economic transactions with Russia and have an impact on the Russian companies and plants of the Volkswagen Group and on sales of vehicles to Russia. The sanctions also affect the new financial services business in Russia and lead to impairment risks to existing lease assets and financial receivables. Against the backdrop of the Russia-Ukraine conflict and the resulting consequences, Volkswagen has decided to suspend vehicle production in Russia until further notice. Vehicle exports to Russia have also been halted. In addition, the respective sanction requirements are also being complied with in relation to the supply of spare parts and the provision of technical information. In addition, Russia itself, in its role as an energy exporter, has restricted gas deliveries to Europe. The resulting increase in commodity prices and intensified supply shortages are reinforcing the threat of persistently high inflation.

Russia’s partial mobilization on 21 September 2022 and the ensuing tightening of sanctions led to adjustments to the risk assessment in relation to the situation in Russia and to the potential future development of the Volkswagen Group’s business activities in Russia.

Since there was no noticeable easing in the Russia-Ukraine conflict in the fourth quarter, the discontinuation of business activities in Russia took concrete shape in the Volkswagen Group. In this context, some companies have already been sold and further sale negotiations were initiated. Overall, comprehensive impairment losses on assets of production facilities and financial services companies as well as risk provisions, especially for third-party expenses expected from the discontinuation of activities in Russia, were recognized in the fiscal year. Overall, total expenses of around €2 billion were recognized at the level of the Volkswagen Group in the reporting year as a direct result of the Russia-Ukraine conflict. At the level of the Porsche AG Group, the impairment test of significant assets as of 31 December 2022 triggered by the Russia-Ukraine conflict and its indirect effects as well as the development of the interest and inflation rates did not reveal any need for impairment beyond the normal measurement.

During 2022, the restrictive measures put in place to protect the population from the SARS-CoV-2 virus were lifted to a large extent in many countries. The progress made in administering vaccines to the public had a positive effect, while the emergence of the new Omicron variant and its subvariants led to a renewed sharp rise in infections on a national scale, mostly causing milder symptoms but increased rates of sick leave. In China particularly, local outbreaks of infection in the course of 2022 led to tight restrictions under the zero-Covid strategy being pursued there, resulting in economic constraints and disruption to international supply chains. The departure from this strategy led to a rapid increase in infection rates in China at the end of the year.

In addition to the uncertainty and measures being taken around the world to deal with the Covid-19 pandemic, persistent semiconductor shortages and the resulting limited availability of group models meant that demand could not be adequately met by Volkswagen in some regions.

Effects of climate change

Against the backdrop of climate change and the resulting stricter emissions regulations, the transformation of the automotive industry towards e-mobility and further digitalization continues to make progress. In the preparation of the consolidated financial statements of Volkswagen AG, the board of management of Volkswagen AG took into account the potential effects of climate change and future regulatory requirements, and especially the corresponding transformation towards e-mobility. Potential effects, especially on non-current assets, provisions for emissions levies and future cash flows were, as far as possible, incorporated as part of the significant estimates and assumptions included in the consolidated financial statements of Volkswagen AG. The effects of the transformation towards e-mobility and the planned increase in the share of all-electric vehicles planned in this context are taken into account by Volkswagen AG in compiling the multi-year planning and therefore in the calculation of future cash flows for determining recoverable amounts in impairment tests, especially when planning future vehicle models, development costs and production facilities. In addition, Volkswagen regularly assesses whether these developments give rise to the need for ad hoc impairment tests or for adjustments to the useful lives of other non-current non-financial assets. With reference to increasingly stringent emissions regulations, Volkswagen ensures that the various international regulations are taken into account and that any obligations are recognized appropriately. The same applies for Porsche AG and the consolidated financial statements of Porsche AG. This did not result in any material effects on the consolidated financial statements of Volkswagen AG and Porsche AG.

Litigation and diesel issue

Volkswagen AG and the companies in which it is directly or indirectly invested, i.e., including the Porsche AG Group, are involved in a substantial number of legal disputes and governmental proceedings in Germany and abroad. Such legal disputes and other proceedings occur, among other things, in connection with products and services or in relation to employees, public authorities, dealers, investors, customers, suppliers, or other contracting parties. For the companies in question, these disputes and proceedings may result in payments such as fines or in other obligations or consequences. In particular, substantial compensatory or punitive damages may have to be paid and cost-intensive measures may have to be implemented. In this context, specific estimation of the objectively likely consequences is often possible only to a very limited extent, if at all.

Various legal proceedings are pending worldwide, particularly in the USA, in which customers are asserting purported product-related claims, either individually or in class actions. These claims are as a rule based on alleged vehicle defects, including defects alleged in vehicle parts supplied to the Volkswagen Group.

Compliance with legal or regulatory requirements is another area in which risks may arise. This is particularly true in gray areas where Volkswagen or Porsche AG and the relevant public authorities may interpret the law differently.

In connection with their business activities, Volkswagen Group companies engage in constant dialog with regulatory agencies, including the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority). It is not possible to predict with assurance how government regulators will assess certain issues of fact and law in a particular situation. For this reason, the possibility that certain vehicle characteristics and/or type approval aspects may in particular ultimately be deemed deficient or impermissible cannot be ruled out. This is fundamentally a question of the regulatory agency’s specific evaluation in a concrete situation.

A comparable challenge results from the tension between divergent national and international statutory or regulatory requirements regarding obligations to transfer information or documents, on the one hand, and privacy mandates under national and international data protection law on the other. Volkswagen is advised by outside law firms on these issues so as to preclude compliance violations as far as possible despite the sometimes unclear state of the law.

Litigation may furthermore result from demands for more extensive climate protection measures or from allegedly incomplete disclosures regarding the impact of climate change. The response of the Volkswagen Group to this risk includes, among other things, certification of its self-imposed decarbonization targets through independent and internationally respected organizations and systematic alignment of its non-financial reporting with the requirements of the law and the capital markets.

Risks may also result from actions for infringement of intellectual property, including infringement of patents, brands, or other third-party rights, particularly in Germany and the USA. If Volkswagen is alleged or determined to have violated third-party intellectual property rights, Volkswagen may for instance have to pay damages, modify manufacturing processes, or redesign products, and may be barred from selling certain products; this may result in delivery and production restrictions or interruptions.

Criminal acts by individuals, which even the best compliance management system can never completely prevent, are another potential source of legal risks.

Appropriate insurance has been taken out at the level of the Volkswagen Group to cover these risks where they were sufficiently definite and such coverage was economically sensible. Where necessary based on the information currently available to the Volkswagen Group, identified and correspondingly measurable risks have been reflected by recognizing provisions in amounts considered appropriate in the consolidated financial statements of Volkswagen AG or Porsche AG. Since some risks cannot be assessed, or only to a limited extent, it cannot be ruled out that significant losses or damage may arise in an amount not covered by the insurance or provisions. This is, for instance, the case with regard to the legal risks assessed in connection with the diesel issue presented below.

Unless otherwise explicitly stated, the amounts disclosed for the litigation being reported on refer only to the respective principal claim. Ancillary claims, such as for interest and litigation expense, are generally not considered.

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. In this context, Volkswagen AG announced that noticeable discrepancies between the figures recorded in testing and those measured in actual road use had been identified in type EA 189 diesel engines and that this engine type had been installed in roughly eleven million vehicles worldwide. 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. The so-called diesel issue is rooted in a modification of parts of the software of the relevant engine control units – which, according to Volkswagen AG's legal position, is only unlawful under US law – for the type EA 189 diesel engines that Volkswagen AG was developing at that time. This software function was developed and implemented from 2006 on without knowledge at the level of Volkswagen's board of management. Members of Volkswagen's board of management did not learn of the development and implementation of this software function until the summer of 2015.

An amount of around €1.4 billion (€2.1 billion) has been included in the provisions for litigation and legal risks at the level of the Volkswagen Group as of 31 December 2022 to account for the currently known legal risks related to the diesel issue based on the presently available information and the current assessments of Volkswagen. Where adequately measurable by Volkswagen at this stage, contingent liabilities relating to the diesel issue have been disclosed in Volkswagen's notes to the consolidated financial statements in an aggregate amount of €4.2 billion (€4.3 billion), whereby roughly €3.6 billion (€3.6 billion) of this amount results from lawsuits filed by investors in Germany. The provisions recognized at the level of the Volkswagen Group as well as the contingent liabilities disclosed in the consolidated financial statements of Volkswagen AG and the other latent legal risks in the context of the diesel issue are in part subject to substantial estimation risks given the complexity of the individual relevant factors, the ongoing coordination with the authorities, and the fact that the fact-finding efforts have not yet been concluded. Should these legal or estimation risks materialize, this could result in further substantial financial charges at the level of the Volkswagen Group. In particular, adjustment of the provisions recognized at the level of the Volkswagen Group and this having an indirect impact at the level of the Porsche SE Group in light of knowledge acquired or events occurring in the future cannot be ruled out.

In connection with the diesel issue, potential consequences for the Volkswagen Group's, and thus indirectly the Porsche SE Group's, results of operations, financial position and net assets could emerge at Volkswagen primarily in the following legal areas:

1. Criminal and administrative proceedings worldwide (excluding the USA/Canada)

   Criminal investigations, regulatory offense proceedings, and/or administrative proceedings have been commenced in some countries. Criminal investigations into the core factual issues are being conducted by the Offices of the Public Prosecutor in Braunschweig and Munich.

   In January 2021, the criminal proceedings regarding alleged market manipulation relating to capital market disclosure obligations in connection with the diesel issue were terminated by the Braunschweig Regional Court provisionally as regards the former chair of the board of management of Volkswagen AG and definitively as regards the corresponding regulatory offense proceeding against Volkswagen AG. The Braunschweig Office of the Public Prosecutor has in the meantime filed a motion with the Braunschweig Regional Court to reopen the proceedings against the former chair of the board of management of Volkswagen AG. A final ruling on this motion is still pending.

   In September 2020, the Braunschweig Regional Court allowed the indictment of the same former chair of the board of management of Volkswagen AG to proceed on charges that include fraud in connection with the diesel issue involving type EA 189 engines. The proceedings against this former chair of the board of management of Volkswagen AG have since been severed from the other cases. The trial of the other defendants began in September 2021.

The Braunschweig Office of the Public Prosecutor is continuing its investigations on suspicion of fraud in connection with type EA 288 engines.

In June 2020, the Munich II Regional Court accepted the substantially unchanged indictment of the Munich II Office of the Public Prosecutor, which also names a former chair of the board of management of AUDI AG, and opened the main trial proceedings on charges of, among other things, fraud in connection with the diesel issue involving 3.0 l and 4.2 l TDI engines. Trial proceedings commenced in September 2020.

In August 2020, the Munich II Office of the Public Prosecutor issued a further indictment charging three former members of the board of management of AUDI AG and others with, among other things, fraud in connection with the diesel issue involving 3.0 l and 4.2 l TDI engines. The criminal investigation conducted by the Stuttgart Office of the Public Prosecutor against a member of the board of management of Dr. Ing. h.c. F. Porsche AG and others on suspicion of fraud and illegal advertising relating to the diesel issue has in the interim been terminated at the end of April 2022, as regards inter alia the board of management member, against payment of a sum set by the court.

As the type approval authority of proper jurisdiction, the KBA is moreover continuously testing Audi, Volkswagen, and Porsche brand vehicles for problematic functions. If certain functions are deemed impermissible by the KBA, the affected vehicles are recalled pursuant to a recall order or they are brought back into compliance by means of a voluntary service measure.

In judgments rendered in July and November 2022, the European Court of Justice (ECJ) ruled that a so-called thermal window (i.e. a temperature-dependent exhaust gas recirculation) in the range of 15°C and 33°C outside temperature represents a defeat device. In this context, the ECJ has developed a new, unwritten criterion according to which a thermal window, even if it serves to prevent sudden and extraordinary damage, is impermissible if it is active “for most of the year under real driving conditions prevalent in the territory of the European Union.” The Volkswagen Group is assessing the effects of this new vehicle engineering criterion. The KBA has commenced formal administrative proceedings relating to certain first generation type EA 896 engines deployed in certain older vehicle models. The Volkswagen Group is in discussion with the KBA on this issue. At the end of February 2023, the Schleswig Administrative Court in a court of first instance judgment upheld a lawsuit brought by Deutsche Umwelthilfe (Environmental Action Germany) against the KBA and ordered the KBA to revoke the release notice for the software update for certain older Golf Plus models, insofar as the release notice relates to the thermal window. Volkswagen will review the decision once the written reasoning is available and decide on further measures.

Moreover, additional administrative proceedings relating to the diesel issue are ongoing in other jurisdictions.

The companies of the Volkswagen Group are cooperating with the government authorities.

Risks may furthermore result from possible decisions by the European Court of Justice construing EU type approval provisions.

Whether the criminal and administrative proceedings will ultimately result in fines or other consequences for companies of the Volkswagen Group, and if so what amounts these may entail, is currently subject to estimation risks. According to Volkswagen's estimates, the likelihood that a sanction will be imposed is 50% or less in the majority of these proceedings. Contingent liabilities have therefore been disclosed by Volkswagen where the amount of such liabilities could be measured and the likelihood of a sanction being imposed by Volkswagen was assessed at not less than 10%.

2. Product-related lawsuits worldwide (excluding the USA/Canada)

A general possibility exists that customers in the affected markets will file civil lawsuits or that importers and dealers will assert recourse claims against Volkswagen AG and other Volkswagen Group companies. Besides individual lawsuits, various forms of collective actions (i.e. assertion of individual claims by plaintiffs acting jointly or as representatives of a class) are available in various jurisdictions. Furthermore, in a number of markets it is possible for consumer and/or environmental organizations to bring suit to enforce alleged rights to injunctive relief, declaratory judgment, or damages.

Customer class action lawsuits and actions brought by consumer and/or environmental organizations are pending against Volkswagen AG and other Volkswagen Group companies in a number of countries including Belgium, Brazil, England and Wales, France, Germany, Italy, the Netherlands, Portugal, and South Africa. Alleged rights to damages and other relief are asserted in these actions. The pending actions include in particular the following:

In Belgium, the Belgian consumer organization Test Aankoop VZW has filed a class action to which an opt-out mechanism has been held to apply. Given the opt-out mechanism, the class action potentially covers all vehicles with type EA 189 engines purchased by consumers on the Belgian market after 1 September 2014, unless the right to opt out is actively exercised. The asserted claims are based on purported violations of unfair competition and consumer protection law as well as on alleged breach of contract.

In Brazil, two consumer protection class actions are pending. In the first class action, which pertains to some 17 thousand Amarok vehicles, the Superior Court of Justice in August 2022 rejected in part the appeal filed by Volkswagen do Brasil against the May 2019 judgment at the first appeals level that had initially reduced the damage liability of Volkswagen do Brasil considerably to around BRL 172 million. Volkswagen do Brasil has appealed this decision. The judgment therefore remains non-final. The plaintiff in the second class action, which pertains to roughly 67 thousand later generation Amaroks, has appealed the trial court's October 2021 judgment dismissing the complaint.

financialright GmbH filed consolidated actions before various German courts asserting claims assigned to it by customers in Germany, Slovenia, and Switzerland against Volkswagen Group companies. Following the withdrawal of numerous motions for relief, approximately 34 thousand claims are currently still pending. Some cases have in the meantime moved to the first or second appeals level. In Germany, the Bundesgerichtshof (BGH – Federal Court of Justice) rendered a judgment in June 2022 holding, in a case involving the damage claims of Swiss vehicle purchasers, that the assignment of claims to financialright GmbH was valid. The BGH did not address the merits of the claims.

In England and Wales, the roughly 91 thousand claims of the group litigation against the Volkswagen Group were settled out of court in May 2022 for the sum of £193 million as well as a separate amount for the plaintiffs' attorney fees and other costs.

In addition, in late 2021 a new lawsuit was filed in court against Volkswagen AG, Volkswagen Financial Services (UK) Limited, and other Volkswagen Group companies in connection with certain diesel vehicles leased or sold in England, Wales, and Northern Ireland since 2009 and various other diesel engine types.

In France, a class action is pending that was filed by the French consumer organization Confédération de la Consommation, du Logement et du Cadre de Vie (CLCV) against Volkswagen Group Automotive Retail France and Volkswagen AG for up to 1 million French owners and lessees of vehicles with type EA 189 engines. This is an opt-in class action.

In Italy, a trial level judgment in favor of the plaintiffs by the Venice Regional Court in the class action brought by the consumer association Altroconsumo on behalf of Italian customers was announced in July 2021; the judgment requires Volkswagen AG and Volkswagen Group Italia to pay damages to some 63 thousand consumers in an aggregate amount of roughly €185 million. Volkswagen AG and Volkswagen Group Italia have appealed this decision.

In the Netherlands, an opt-out class action is pending that was brought by Stichting Volkswagen Car Claim seeking declaratory rulings for up to 165 thousand customers. A declaratory judgment partially granting the relief sought was issued in July 2021. In the opinion of the court, Volkswagen AG and the other defendant Group companies acted unlawfully with respect to the original engine management software. The court moreover held that consumers are entitled to a purchase price reduction from the defendant dealerships. No specific payment obligations result from the declaratory judgment. Any individual claims would then have to be established afterwards in separate proceedings. Volkswagen AG and the other defendant group companies have appealed the decision. Furthermore, an opt-out class action lawsuit brought by the Diesel Emissions Justice Foundation (DEJF) seeking monetary damages on behalf of Dutch consumers is also pending; the action involves vehicles with type EA 189 engines, among others. The court rendered an interlocutory judgment in March 2022 holding the new class action regime – which permits damage awards in addition to declaratory judgment on the existence of claims – to be inapplicable to the instant lawsuit. The interlocutory judgment further finds that the Amsterdam court lacks jurisdiction to hear lawsuits brought by consumers outside the Netherlands. The DEJF appealed this judgment. The court then suspended the trial level proceedings pending a decision by the appellate court.

In Portugal, a Portuguese consumer organization has filed an opt-out class action. The class action potentially affects up to approximately 70 thousand vehicles with type EA 189 engines. The complaint seeks vehicle return and alleges damages as well.

In South Africa, an opt-out class action seeking damages is pending; the action pertains to some 80 thousand vehicles, including vehicles with type EA 189 engines.

Furthermore, individual lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in various countries; most of these lawsuits are seeking damages or rescission of the purchase contract.

In Germany, roughly 40 thousand individual lawsuits relating to various diesel engine types are currently pending against Volkswagen AG or other group companies, with the plaintiffs suing for damages or rescission of the contract in most cases.

In 2020, the BGH issued a series of fundamental judgments deciding legal issues of major importance for the litigation still pending with regard to vehicles with type EA 189 engines. The BGH held that buyers who had purchased vehicles prior to public disclosure of the diesel issue could return their vehicles to Volkswagen AG and receive a refund of the purchase price paid, less a deduction for the benefit derived from using the vehicle. However, buyers have no tort-based claim for damages if they purchased their vehicles after the ad hoc announcement of 22 September 2015 or if they raise claims based solely on a temperature-dependent exhaust gas recirculation (so-called thermal window) in the engine. In February 2022, the BGH issued further fundamental judgments concerning vehicles with EA 189 motors affirming that buyers of new vehicles of the Volkswagen brand were entitled to residual damage claims against Volkswagen AG after the knowledge-based limitation period has expired; the BGH had previously held that purchasers of used cars lacked such claims. The BGH held that buyers must return their vehicles in order to claim payment and that such payment was reduced by the benefit derived from using the vehicle and by the dealer profit margin. In an additional fundamental judgment rendered in July 2022 concerning vehicles with EA 189 engines, the BGH held that buyers of new vehicles of other group brands have no claim for residual damages against Volkswagen AG.

Volkswagen estimates the likelihood that the plaintiffs will prevail to be 50% or less in the great majority of cases: customer class actions, complaints filed by consumer and/or environmental organizations, and individual lawsuits. Contingent liabilities are disclosed by Volkswagen for these proceedings where the amount of such liabilities can be measured and the chance that the plaintiff will prevail was assessed by Volkswagen as not remote. Given the early stage of the proceedings, it is in some cases not yet possible to quantify the realistic risk exposure. Furthermore, provisions were recognized at the level of the Volkswagen Group to the extent necessary based on the current assessment.

At this time, it cannot be estimated by Volkswagen how many customers will choose to file lawsuits in the future in addition to those already pending and what prospect of success such lawsuits might have.

3. Lawsuits filed by investors worldwide (excluding the USA/Canada)

Investors from Germany and abroad have filed claims for damages against Volkswagen AG – in some cases along with Porsche SE as joint and several debtors – based on purported losses due to alleged misconduct in capital market communications in connection with the diesel issue.

The vast majority of these investor lawsuits are currently pending before the Braunschweig Regional Court. In August 2016, the Braunschweig Regional Court issued an order referring common questions of law and fact relevant to the investor lawsuits pending before it to the Higher Regional Court in Braunschweig for binding declaratory rulings pursuant to the Kapitalanleger-Musterverfahrensgesetz (KapMuG – German Capital Investor Model Declaratory Judgment Act). In this proceeding, common questions of law and fact relevant to these actions are to be adjudicated by the Braunschweig Higher Regional Court in a single consolidated proceeding (model case proceedings). The investor lawsuits pending against Volkswagen AG in Germany are stayed pending resolution of the common issues, unless the cases can be dismissed for reasons independent of the common issues that are to be adjudicated in the model case proceedings. The resolution in the model case proceedings of the common questions of law and fact will be binding for the pending cases that have been stayed as described. The model case plaintiff is Deka Investment GmbH. Oral argument in the model case proceedings before the Braunschweig Higher Regional Court began in September 2018 and is continuing at subsequent hearings. The latest indication from the court was that it may hear witness testimony on certain points.

Further investor lawsuits have been filed with the Stuttgart Regional Court against Volkswagen AG, in some cases along with Porsche SE as joint and several debtor. A further investor action for model declaratory judgment is pending before the Stuttgart Higher Regional Court against Porsche SE; Volkswagen AG is involved in this action as a third party intervening in support of a party to the dispute. The Wolverhampton City Council, Administrating Authority for the West Midlands Metropolitan Authorities Pension Fund, has been appointed model case plaintiff. Oral argument in this case began in July 2021 and continued in subsequent hearings. The court has scheduled a hearing in the spring of 2023 at which it will deliver its decision.

Excluding the United States and Canada and following the withdrawal of various actions, claims in connection with the diesel issue totaling roughly €9.5 billion are currently pending worldwide against Volkswagen AG in the form of investor lawsuits, judicial applications for dunning and conciliation procedures, and claims under the KapMuG. Volkswagen AG remains of the opinion that it duly complied with its capital market obligations. Therefore, no provisions have been recognized at the level of the Volkswagen Group for these investor lawsuits. Contingent liabilities have been disclosed by Volkswagen where the chance of success was estimated by Volkswagen to be not less than 10%.

4. Proceedings in the USA/Canada

In the USA and Canada, the matters described in the EPA's notices of violation are the subject of various types of lawsuits and requests for information that have been filed against Volkswagen AG and other Volkswagen Group companies, in particular by customers, investors, and various government agencies in Canada and the United States.

In January 2017, Volkswagen entered into a Third Partial Consent Decree with the U.S. Department of Justice (DOJ) and the EPA, which the federal court in the multidistrict litigation approved in April 2017. The Third Partial Consent Decree resolved claims for civil penalties and injunctive relief under the Clean Air Act related to the 2.0 l and 3.0 l TDI vehicles, and imposed a civil penalty as well as monitoring, auditing, and compliance obligations. In July 2017, the court furthermore approved the Third California Partial Consent Decree, in which Volkswagen agreed with the California Attorney General and CARB to pay civil penalties and cost reimbursements. Subsequently, Volkswagen sought to terminate both consent decrees on the basis that all requirements had been met, and the US and California authorities agreed to the termination, which the court granted in September 2022.

The Texas attorney general and some municipalities continue to pursue actions in state and federal courts against Volkswagen AG, Volkswagen Group of America, Inc., and certain affiliates, alleging violations of environmental laws. In January 2022, the Texas Supreme Court granted the February 2021 petition of the State of Texas for review of the Texas appellate court decision that had dismissed the environmental claims of Texas against Volkswagen AG and AUDI AG for lack of personal jurisdiction.

In November 2021, the US Supreme Court denied petitions by Volkswagen requesting that it reviews both a decision by the US Court of Appeals for the Ninth Circuit declining to dismiss certain claims brought by Hillsborough County, Florida, and Salt Lake County, Utah, and a decision by the Ohio Supreme Court declining to dismiss certain claims brought by the State of Ohio.

In January 2022, Volkswagen settled environmental claims brought by Ohio.

In March 2019, the US Securities and Exchange Commission (SEC) filed a lawsuit against, among others, Volkswagen AG, Volkswagen Group of America Finance, LLC, and VW Credit, Inc., asserting claims under US federal securities law based, among other things, on alleged misstatements and omissions in connection with the offer and sale of certain bonds and asset-backed securities. In August 2020, the US District Court for the Northern District of California dismissed, among other things, all claims against VW Credit, Inc. relating to asset-backed securities. In September 2020, the SEC filed an amended complaint that, among other things, removed the dismissed claims. The pre-trial discovery phase is still ongoing.

As to private civil law matters, the Superior Court of Quebec approved the settlement of an environmental class action lawsuit seeking punitive damages on behalf of the residents of the Province of Quebec in June 2022; an appeal of that approval on the limited subject of counsel fees has been dismissed in the meantime so that the settlement may now proceed.

In line with IAS 37.92, no statements have been made by Volkswagen concerning estimates of financial impact or regarding uncertainty as to the amount or maturity of provisions and contingent liabilities in relation to proceedings in the USA/Canada. This is so as to not compromise the results of the proceedings or the interests of the company.

5. Special audit

In a November 2017 ruling, the Higher Regional Court of Celle ordered, upon the request of three US funds, the appointment of a special auditor for Volkswagen AG. The special auditor was supposed to examine whether the members of the board of management and supervisory board of Volkswagen AG breached their duties in connection with the diesel issue from 22 June 2006 onwards and, if so, whether this resulted in damages for Volkswagen AG. Volkswagen AG had filed a constitutional complaint with the German Federal Constitutional Court against this decision, which was originally unappealable as a formal matter. Volkswagen AG also filed a constitutional complaint against the subsequent (and likewise formally unappealable) decision by the Higher Regional Court of Celle to appoint a special auditor other than the one initially appointed. In rulings announced in November 2022, the Federal Constitutional Court found both constitutional complaints to be meritorious and held that the decisions of the Higher Regional Court of Celle violated the constitutional rights of Volkswagen AG in multiple respects. The decisions of the Higher Regional Court were vacated and the case was remanded to this court. Volkswagen AG had in addition previously filed an action before the Braunschweig Regional Court seeking to enjoin the special auditor from performing the audit as long as he had not furnished sufficient proof of his independence. The Braunschweig Regional Court dismissed the action for injunctive relief in the summer of 2022; Volkswagen AG then appealed this decision to the Braunschweig Higher Regional Court.

A second motion seeking appointment of a special auditor for Volkswagen AG to examine matters relating to the diesel issue was filed with the Regional Court of Hanover. This proceeding was stayed pending the decision by the Federal Constitutional Court in the initial special auditor litigation. No decision whether to resume the proceeding has as yet been issued.

In line with IAS 37.92, no further statements have been made by Volkswagen concerning estimates of financial impact or regarding uncertainty as to the amount or maturity of provisions and contingent liabilities in relation to the diesel issue. This is so as to not compromise the results of the proceedings or the interests of Volkswagen.

In connection with the diesel issue, reference is also made to the following matters with regard to Porsche AG and its subsidiaries:

AUDI AG has held Porsche AG harmless for the costs of legal risks, litigation, product liability complaints or other third-party complaints relating to the 2013-2016 Porsche Cayennes affected in North America by the diesel issue and it was agreed to not plea the statute of limitations until 31 July 2023 and this was subsequently extended until 31 July 2025. Consequently, from today's perspective, it is not expected that the Porsche AG Group will be subject to any significant outflow of resources in this regard. Accordingly, no receivables were recognized at the level of the Porsche AG Group for other costs incurred at the level of the Porsche AG Group in connection with the diesel issue in North America for which AUDI AG has signed a hold harmless agreement as an outflow of resources is not virtually certain as of the reporting date. It was agreed to not plea the statute of limitations until 31 July 2023 and this was subsequently extended until 31 July 2025. For the legal proceedings outside of the USA and Canada in connection with the diesel issue, Porsche AG expects - based on previous agreements and accounting practice - that the costs incurred at the level of the Porsche AG Group in this connection for legal risks and litigation costs will be borne by AUDI AG and will pass the costs on to the latter. No extensive provisions are recognized at the level of the Porsche AG Group for future expected outflows of resources.

Further judgments, estimates and assumptions of the management at the level of the Volkswagen Group

The impairment testing of non-financial assets (especially goodwill, brand names, capitalized development costs and special operational equipment) and equity-accounted investments, or investments accounted at cost, and the measurement of options on shares in companies that are not traded in an active market require assumptions about the future cash flows during the planning period, and possibly beyond it, as well as about the discount rate to be applied. The estimates made in order to separate cash flows mainly relate to future market shares, the trend in the respective markets and the profitability of the Volkswagen Group's products. In addition, the recoverability of the group's lease assets depends in particular on the residual value of the leased vehicles after expiration of the lease term, because this represents a significant portion of the expected cash flows.

If there are no observable market inputs, the fair values of assets acquired and liabilities assumed in a business combination are measured using recognized valuation techniques, such as the relief from royalty method or the residual method.

Impairment testing of financial assets requires estimates about the extent and probability of occurrence of future events. As far as possible, estimates are derived from experience taking into account current market data as well as rating categories and scoring information.

Accounting for provisions is also based on estimates of the extent and probability of occurrence of future events, as well as estimates of the discount rate. As far as possible, these are also based on experience or external opinions. Calculation of the pension provisions is based on actuarial assumptions. The provisions are regularly adjusted to reflect new information obtained. Due to the use of expected values, it is often the case that unused provisions are reversed or that subsequent additions are made to provisions. Warranty claims from sales transactions are calculated on the basis of losses to date, estimated future losses and the policy on ex gratia arrangements. In addition, assumptions must be made about the nature and extent of future warranty and ex gratia claims. For the provisions recognized in connection with the diesel issue, assumptions were made in particular about working hours, material costs and hourly wage rates, depending on the series, model year and country concerned. In addition, assumptions were made about future resale prices of repurchased vehicles. These assumptions are based on qualified estimates, which are based in turn on external data, and also reflect additional information available internally, such as values derived from experience. At the level of the Volkswagen Group, tax provisions were recognized for potential future tax backpayments, while other provisions were recognized for ancillary tax payments arising in this connection. Volkswagen AG and its subsidiaries have operations worldwide and are audited by local tax authorities on an ongoing basis. Amendments to tax laws and changes in legal precedent and their interpretation by the tax authorities in the respective countries may lead to tax payments that differ from the estimates made in the financial statements. The measurement of the tax provision is based on the most likely exposure resulting from this risk materializing. Volkswagen decides whether to account for multiple tax uncertainties separately or in groups on the merits of each individual case considered, depending on which type of presentation is better suited to predicting the extent to which the tax risk will materialize. The pricing of individual products and services is complex, especially in relation to contracts for the cross-border supply of intragroup goods and services, because it is in many cases not possible to observe market prices for internally generated products, or the use of market prices for similar products is subject to uncertainty because they are not comparable. In these cases, prices – including for tax purposes – are determined on the basis of standardized, generally accepted valuation techniques. In December 2021, the OECD issued model rules for a new global minimum tax framework. Several jurisdictions announced the intention to bring these into effect. In December 2022, EU member states agreed to a correspondent EU directive. While the overarching framework has been published, Volkswagen awaits the domestic legislation and detailed guidance to assess the full implications.

If actual developments differ from the assumptions made by Volkswagen for recognizing the provisions, the figures actually recorded may differ compared to the estimates expected originally.

Government grants are recognized based on an assessment as to whether there is reasonable assurance that the Volkswagen Group companies will fulfill the conditions for awarding the grants and that the grants will in fact be awarded. This assessment is based on the nature of the legal entitlement and past experience.

Estimates of the useful life of finite-lived assets are based on experience and are reviewed regularly. Where estimates are modified the residual useful life is adjusted and an impairment loss is recognized, if necessary. As part of this review, the useful lives of certain items of property, plant and equipment were reassessed and extended in January 2023 at the level of the Volkswagen Group. These adjustments at the level of the Volkswagen Group are expected to have an effect on the operating result in an amount of €1.4 billion in 2023 (of which €92 million relates to the Porsche AG Group) and €0.8 billion in 2024 (of which €2 million relates to the Porsche AG Group).

Estimates of lease terms under IFRS 16 are based on the non-cancelable period of a lease and an assessment of whether existing extension and termination options will be exercised. The determination of the lease term and the discount rates used impacts on the amounts to be recognized for right-of-use assets and lease liabilities.

Measuring deferred tax assets requires assumptions regarding future taxable income and the timing of the realization of deferred tax assets.

Changes to underlying premises

The estimates and assumptions are based on premises that are derived from the current information available. In particular, the circumstances given when preparing the consolidated financial statements as to the realistic expectations of future development of the global and industry-specific environment were used to estimate the company’s future business performance. Future business performance remains associated with great uncertainties. This applies in particular to short and medium-term forecast cash flows as well as the discount rates used. Porsche SE Group’s and Volkswagen Group’s planning is based on the assumption that global economic output will grow overall in 2023, albeit at a slower pace – subject to the risks presented in the section “Accounting judgments, estimates and assumptions of the management at the level of the Volkswagen Group”. Variances from assumptions and estimates at the level of the Volkswagen Group of the expected future business development also have an indirect impact at the level of the Porsche SE Group. Furthermore, at the level of Porsche SE, in particular the outcome of the tax field audit for the assessment periods 2009 to 2013 and the outcome of litigation may cause variances from expectations.

In cases where the actual development differs from the original expectation, the premises, and if necessary the carrying amounts of the assets and liabilities concerned, will be adjusted accordingly. Prior to the date of authorization for issue of the consolidated financial statements by the board of management, there were no indications that the carrying amounts of the assets and liabilities presented in the consolidated balance sheet would require any significant adjustment. Judgments and estimates of the management included assumptions relating to the development of the Volkswagen Group, macroeconomic development as well as the development of automotive markets that are described in the forecast report as part of Porsche SE’s combined management report.

New accounting standards

New or revised standards adopted for the first time in the fiscal year

The accounting policies applied in the consolidated financial statements are in line with the IFRSs adopted by the EU as of 31 December 2022.

In the fiscal year 2022, amendments with regard to IAS 16, IAS 37 and IFRS 3 as well as clarifications with regard to IFRS 1, IFRS 9, IFRS 16 and IAS 41 had to be adopted for the first time as part of the Annual Improvements to International Financial Reporting Standards 2020. These had no significant impact or no impact on the presentation of the Porsche SE Group's results of operations, financial position and net assets.

Standards and interpretations not applied (published but whose adoption is not yet mandatory or which are not yet applicable in the EU)

Standard or interpretation		Published by IASB	First-time adoption	Adoption by the EU	Expected effects
IAS 1	Classification of liabilities	23/1/2020	1/1/2024	No	No material impact
IAS 1	Disclosure of accounting policies	12/2/2021	1/1/2023	Yes	Adjustments to the corresponding explanatory notes. Primarily choice not to present the legal requirements.
IAS 1	Non-current liabilities with covenants	31/10/2022	1/1/2024	No	No material impact
IAS 8	Definition of accounting estimates	12/2/2021	1/1/2023	Yes	No material impact
IAS 12	Deferred taxes on leases and decommissioning and restoration liabilities	7/5/2021	1/1/2023	Yes	No material impact
IFRS 16	Leases: Lease liability in sale and leaseback transactions	22/9/2022	1/1/2024	No	No material impact
IFRS 17	Insurance contracts	18/5/2017[1]	1/1/2023	Yes	Detailed descriptions after the overview in the table
IFRS 17	Insurance contracts: First-time application of IFRS 17 and IFRS 9 - comparative information	9/12/2021	1/1/2023	Yes	Detailed descriptions after the overview in the table

[1] On 25 June 2020, the IASB published amendments to IFRS 17 that come into force together with the original standard on 1 January 2023.

Early adoption of the amendments is not currently planned.

IFRS 17 – Insurance Contracts

IFRS 17 amends the guidance for accounting for insurance contracts, replacing the existing IFRS 4 standard. The Porsche SE Group is only affected indirectly, mainly via the effects on the investment in Volkswagen AG accounted for at equity. The Volkswagen Group will transition to the new guidance of IFRS 17 for the first time as of 1 January 2023, generally applying the full retrospective method and, under certain circumstances, the modified retrospective approach. Based on current estimates for the portfolio of insurance contracts as of 1 January 2023, the transition to the amended system is expected to result in a decrease in equity at the level of the Volkswagen Group by an amount in the mid double-digit million euro range. At the level of the Porsche SE Group, this will have an impact equivalent to the amount of the capital share underlying the investment in Volkswagen AG accounted for at equity.

Notes to the consolidated income statement

[1] Result from investments accounted for at equity

The result from investments accounted for at equity breaks down as follows:

€ million	VW 2022	Porsche AG 2022	Portfolio investments 2022	Total 2022
Result from ongoing at equity accounting before purchase price allocations	4,683	163	–9	4,837
Effects from purchase price allocations	–52	–150	–1	–203
Income from first-time at equity accounting of newly acquired shares	597			597
Impairment pursuant to IAS 28 in conjunction with IFRS 5	–704			–704
Reversal of impairment			7	7
	4,524	**12**	**–3**	**4,533**

€ million	VW 2021	Portfolio investments 2021	Total 2021
Result from ongoing at equity accounting before purchase price allocations	4,660	0	4,659
Effects from purchase price allocations	–32	–1	–33
Reversal of impairment		5	5
	4,628	**3**	**4,631**

The portfolio investments accounted for at equity relate to INRIX Inc., Kirkland, USA (“INRIX”), and in the fiscal year 2022 also to ETS.

Result from the investments in Volkswagen AG accounted for at equity

The result from ongoing at equity accounting results from the development in earnings at the level of the Volkswagen Group. The result of the Volkswagen Group was positively influenced by effects from the price positioning, the product mix as well as from derivatives to which hedge accounting is not applied. These factors were offset in particular by parts supply shortages, increased product costs as well as loss allowances and risk provisions in connection with the consequences of the Russia-Ukraine conflict and the equity investment in Argo AI. There was also an increase in the tax expense and the share of the result of non-controlling interests. Please refer to the explanations presented in the section “Results of operations of the Volkswagen Group” in the group management report.

Taking into account the identification and subsequent measurement of hidden reserves and liabilities for the shares held by Porsche SE, the Volkswagen Group reports the following figures:

€ million	VW Tranche 1 FY2009 (29.86%) 2022	VW Tranche 2 FY2015 (0.88%) 2022	VW Tranches 3 & 4 FY2018-2020 (0.66%) 2022	VW Tranche 5 FY2022 (0.52%)[1] 2022	VW Total 2022
Revenue	279,232	279,232	279,232	55,814	-
Total comprehensive income	27,152	26,001	23,804	9,750	-
thereof other comprehensive income	11,402	10,925	10,721	6,638	-
thereof profit from continuing operations	15,750	15,076	13,084	3,111	-
less result attributable to non-controlling interests and hybrid capital investors	–969	–969	–969	–177	-
less effects from additional dividends	–12	–12	–12	0	-
Result for the year adjusted for at equity accounting	14,769	14,095	12,102	2,934	-
Income from first-time at equity accounting of newly acquired shares				597	-
Impairment	–12			–693	-
Result from investment in Volkswagen AG accounted for at equity	**4,400[2]**	**124**	**80**	**–80**	**4,524**

1 The preference shares acquired in the reporting year were accounted for at equity only for the period from acquisition to classification pursuant to IFRS 5 as of 30 June 2022.
2 The preference shares contained in tranche 1 were classified as assets held for sale in the reporting year and are therefore only included in the result from investments accounted for at equity until 30 June 2022.

€ million	VW Tranche 1 FY2009 (29.88%) 2021	VW Tranche 2 FY2015 (0.88%) 2021	VW Tranches 3 & 4 FY2018-2020 (0.66%) 2021	VW Total 2021
Revenue	250,200	250,200	250,200	-
Total comprehensive income	23,110	23,589	27,837	-
thereof other comprehensive income	7,821	8,867	9,997	-
thereof profit from continuing operations	15,289	14,723	17,839	-
less result attributable to non-controlling interests and hybrid capital investors	–585	–585	–585	-
less effects from additional dividends	–12	–12	–12	-
Result for the year adjusted for at equity accounting	14,692	14,125	17,242	-
Result from investment in Volkswagen AG accounted for at equity	**4,389**	**124**	**115**	**4,628**

The acquisition of preference shares in Volkswagen AG in the reporting period (see explanations in the section “Changes in the reporting period”) resulted overall in income from first-time at equity accounting of €597 million as a result of a bargain purchase. This bargain purchase results from the difference between the pro rata revalued equity of the Volkswagen Group and the acquisition cost of the preference shares in Volkswagen AG. The bargain purchase is mainly attributable to the fact that the carrying amount of equity of Volkswagen AG already exceeded the market capitalization and also the fundamental data for the Volkswagen Group used particularly in the valuation of the brands and the investments accounted for at equity were not fully reflected in the share price and therefore not in the acquisition cost when calculating the pro rata revalued equity.

The pro rata revalued equity was determined on the basis of the carrying amounts of the last purchase price allocation from the acquisitions in the fiscal year 2020, with an update being performed of the significant hidden reserves from the brands and the investments accounted for at equity in particular. The significant brands were valued using the relief from royalty method. When applying the relief from royalty method, the fair value of the brands is calculated using a fictitious royalty as a percentage of revenue relevant for each brand based on the planning of the Volkswagen Group. The royalty rate was calculated using internal studies and data; a sustainable growth rate of 0.5% is assumed for the calculation. The investments accounted for at equity with significant hidden reserves are valued on the basis of the discounted cash flow method. The respective planning of the Volkswagen Group as well as a sustainable growth rate of 0.5% are likewise used as a basis for this. The valuation of the significant brands and of the investments accounted for at equity is based on asset-specific after-tax cost of capital in the range of between 6.5% and 11.4%.

As a result of Porsche SE’s disposal plan for up to 2.7 million preference shares of Volkswagen AG, these preference shares were classified as assets held for sale pursuant to IFRS 5 (see section “Changes in the reporting period”) and measured at their fair value less costs to sell as of 30 June 2022 of €343 million (fair value level 1). The resulting impairment pursuant to IAS 28 in conjunction with IFRS 5 of minus €704 million is largely related to the previously recognized bargain purchase of €597 million. With regard to the remaining investment accounted for at equity, no impairment was identified in the course of the impairment test as of the reporting date (see note [9]).

Result from the investments in Porsche AG accounted for at equity

As a result of the acquisition of ordinary shares of Porsche AG (see section “Changes in the reporting period”), the result from investments accounted for at equity has included the proportionate allocation of the group result after tax and investments of non-controlling interests of the Porsche AG Group since 29 September 2022.

As the purchase price allocation for the acquisition of ordinary shares of Porsche AG to be performed for the purpose of at equity accounting had not yet been completed at the time of preparing the consolidated financial statements, the results from the investment in Porsche AG attributable to Porsche SE were calculated on a provisional basis.

The umbrella brand, under which the model brands and the “Porsche Design” brand are subsumed, was valued using the relief-from-royalty method. When applying the relief-from-royalty method, the fair value of the brand is calculated using a fictitious royalty as a percentage of revenue based on the planning of the Porsche AG Group. An indefinite useful life was determined. The relief from royalty method was used to value the basic and key technologies, with a useful life of 10 years being determined for the basic technologies and a useful life of 5 years for the key technologies. The dealer network for new vehicles was valued using the incremental cash flow method. The fair values of the dealer network for original parts and the order backlog were determined using the multi-period excess earnings method. Within property, plant and equipment, land, buildings, plant and machinery, museum vehicles and leased vehicles were revalued. The revaluation scope of the inventories comprises new and used vehicles as well as original parts. Investment assets, financial instruments, leases and contingent liabilities were also revalued. The valuation of the brand, technologies, dealer network for original parts and of the order backlog are based on asset-specific after-tax cost of capital rates in the range of between 7.1% and 7.9%.

The domination and profit and loss transfer agreement in place between Porsche AG and Volkswagen ended as of 31 December 2022. As part of Porsche SE’s acquisition of ordinary shares of Porsche AG, Volkswagen undertook to ensure that the overall liquidity outflow from the sphere of Porsche AG caused by the transfer of profit or loss as well as other outflows does not exceed the total amount of €2.7 billion in the fiscal year 2022. For this reason, Volkswagen had already made a contribution to the free capital reserves of Porsche AG before the IPO. The profit and loss transfer obligation of Porsche AG of €4.0 billion was recognized as a liability in the amount of its fair value as part of the purchase price allocation as of 29 September 2022 because it was already sufficiently substantiated due to contractual arrangements between Porsche SE and Volkswagen in the course of the acquisition of ordinary shares of Porsche AG which rendered it irrevocable and, in consideration of the overall economic and legal facts and circumstances, the amount being caused in full by past events.

Taking into account the identification and subsequent measurement of hidden reserves and liabilities for the investments accounted for by Porsche SE since 29 September 2022, the Porsche AG Group reports the following figures:

	Porsche AG
€ million	**2022**
Revenue	11,070
Total comprehensive income	2,262
thereof other comprehensive income	623
thereof profit from continuing operations	101
less result attributable to non-controlling interests	–1
less effects from additional dividends	–1
Result for the year adjusted for at equity accounting	99
Result from investment in Porsche AG accounted for at equity	**12**

Result from the investments in portfolio companies accounted for at equity

As a result of the acquisition of the PTV Group by ETS, a purchase price allocation pursuant to IFRS 3 was carried out at the level of ETS as of the point in time when control was obtained on 6 January 2022. Aside from the net assets acquired in the course of this business combination, there were no other significant assets or liabilities at the level of the ETS Group with the exception of financial instruments (primarily financial liabilities to finance the purchase price) whose carrying amounts match their fair values. At the time of initial recognition of ETS as an associate in the consolidated financial statements of Porsche SE, the IFRS group carrying amounts of the ETS Group therefore comprise all identifiable assets and liabilities at their respective fair value. At the level of Porsche SE, the difference between this pro rata equity and acquisition cost including incidental acquisition costs was thus allocated to goodwill. As a result of the capital increase of around €35 million performed in June, the carrying amount accounted for at equity increased accordingly by the amount added. Due to the participation of Econolite's management in ETS, the subsequent acquisition of Econolite resulted in a dilution of Porsche SE's investment in ETS. This dilution gain amounts to around €1 million.

Taking into account the identification and subsequent measurement of hidden reserves and liabilities for the shares accounted for by Porsche SE, the ETS Group reports the following figures:

€ million	ETS 2022
Revenue	236
Total comprehensive income	– 17
thereof other comprehensive income	1
thereof profit from continuing operations	– 19
less result attributable to non-controlling interests	0
Result for the year adjusted for at equity accounting	– 19
Result attributable to Porsche SE	– 7
Gain from dilution of shares	1
Result from investment in ETS accounted for at equity	**– 6**

Based on an impairment test performed as of 31 December 2022 as well as in light of the issue of shares to a new shareholder of INRIX at a fair value (fair value level 3) that exceeds the amortized carrying amount accounted for at equity in relation to the shares of Porsche SE, a total write-up of €7 million was recognized in the reporting period.

[2] Result from assets held for sale

The result from assets held for sale is related to the preference shares of Volkswagen AG held by Porsche SE since being classified as assets held for sale (see section "Changes in the reporting period") and breaks down as follows:

€ million	2022
Result from assets held for sale	– 30
Income from dividends from assets held for sale	51
	22

The expense from the measurement of assets held for sale of €30 million is attributable to the decrease in the stock price of the preference shares since classification as held for sale. The dividend income relates to the proportion of the special dividend approved by the extraordinary general meeting of Volkswagen AG on 16 December 2022 attributable to the preference shares and distributed by Volkswagen AG on 9 January 2023. In this connection, please also refer to the explanations in the section "Changes in the reporting period" and notes [15] and [19].

[3] Income and expenses from investment valuation

The items income/expenses from investment valuation contain the valuation effects from portfolio investments measured at fair value. Reference is made to note [19] for aggregated disclosures on the fair values of the financial instruments of Porsche SE.

[4] Other operating income

Other operating income consists of:

€ million	**2022**	2021
Proportionate realization of an eliminated intercompany profit attributable to the contribution of the holding business operations	177	
Income from reversal of provisions and accruals	1	1
Sundry other operating income	1	5
	179	**6**

Of other operating income, an amount of €177 million relates 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 holding business operations of Porsche SE to Volkswagen AG in the fiscal year 2012. The contribution of the holding business operations of Porsche SE to Volkswagen AG primarily involved the transfer of the investment in Porsche Holding Stuttgart GmbH, Stuttgart, and all other investments of Porsche SE existing at the time of the contribution (with the exception of the investment in Volkswagen AG). As Volkswagen AG has already been an associate of Porsche SE at that time, this intercompany profit had to be eliminated. This reduced the carrying amount of the investment in Volkswagen AG accounted for at equity in the consolidated financial statements of Porsche SE; directly prior to the IPO of Porsche AG this eliminated intercompany profit amounted to €1,465 million. The sale of preference shares of Porsche AG by Volkswagen to third parties in the course of the IPO equivalent to a capital share of 12.1% triggered the proportionate realization of the intercompany profit of €177 million. The remaining intercompany profit reducing the carrying amount of the investment in Volkswagen AG accounted for at equity thus amounts to €1,288 million as of 31 December 2022.

[5] Personnel expenses[1]

Personnel expenses break down as follows:

€ million	2022 Continuing operations	2022 Continuing and discontinued operations	2021 Continuing operations	2021 Continuing and discontinued operations
Wages and salaries	14	14	12	71
Social security contributions	0	0	0	7
Pension and other benefit costs	2	2	3	7
Government grants				–1
	17	**17**	**15**	**84**

[1] Disclosure pursuant to Sec. 314 (1) No. 4 HGB in conjunction with Sec. 315e HGB

The average number of employees during the fiscal year breaks down as follows and includes employees from discontinued operations in the prior-year comparison figures:

Employees (annual average)	2022	2021
Germany	35	634
Rest of Europe		189
North America		19
Asia		41
Other markets		10
Total	**35**	**893**

Of these, 35 employees (33 employees) relate to continuing operations.

[6] Other operating expenses

Other operating expenses consist of:

€ million	**2022**	2021
Legal and consulting fees	15	23
Other external services	6	4
Sundry other operating expenses	5	5
	25	**32**

Sundry other operating expenses contain expenses for short-term leases, for leases of low-value assets and for variable lease components totaling €1 million (€1 million).

[7] Financial result

The financial result breaks down as follows:

€ million	**2022**	2021
Interest expense of financial liabilities, not measured at fair value through profit or loss (FVtPL)	–47	
Interest expense from hedging instruments	–17	
Other finance costs	–8	–6
Finance costs	–71	–6
Other financial result	14	–1
Financial result	**–57**	**–7**

The increase in finance costs is attributable to raising debt capital on 4 October 2022 to finance the acquisition of ordinary shares of Porsche AG (see explanations in the section “Changes in the reporting period"). Using the effective interest method results in a total interest expense of €47 million for financial liabilities not measured at fair value through profit or loss. Furthermore, interest of €17 million was accrued in the reporting year as losses from interest rate hedging instruments within hedge accounting (see note [19]). In addition, other finance costs primarily contain transaction costs for credit volumes terminated in the meantime of €3 million (€0 million), commitment fees of €2 million (€1 million) as well as interest expenses for expected tax backpayments of €1 million (€3 million).

The increase in the other financial result is largely attributable to positive changes in the value of interest derivatives to which hedge accounting is not applied of €13 million (€0 million) (see note [19]).

[8] Income tax

The income tax expense (–) and income (+) disclosed breaks down into:

€ million	**2022**	2021
Current tax	–11	–4
Deferred tax income	67	1
thereof related to the origination/reversal of temporary differences	–21	–59
thereof deferred tax assets on tax loss carryforwards	88	60
Income tax expense/income	**56**	**–3**

The current tax expense in the reporting year primarily results from the allocation to provisions for income tax from 2022.

This was counterbalanced by deferred tax income (net). This is largely shaped by the higher year-on-year carrying amount of the investment in Volkswagen AG accounted for at equity and as a result the higher deferred tax income from the recognition of deferred taxes on loss carryforwards. In the reporting year, deferred tax liabilities on the higher carrying amount of the investment in Volkswagen AG accounted for at equity were recognized in profit or loss in line with the share of the result from investments accounted for at equity recognized in the consolidated income statement.

Previously unused tax losses for which no deferred tax assets were recognized amounted to €1,170 million (€1,510 million). Thereof an amount of €1,170 million (€1,510 million) does not lapse over time.

The following reconciliation shows the differences between the expected income tax expense calculated at the group parent company's tax rate of 30.5% (30.5%) and the reported income tax expense:

€ million	**2022**	2021
Result before tax	4,634	4,565
Group tax rate	30.5%	30.5%
Expected income tax expense	**–1,414**	**–1,392**
Difference in tax base	1,368	1,334
Recognition and measurement of deferred tax	86	59
Tax relating to other periods	15	–3
Other differences	0	
Reported income tax expense	**56**	**–3**

The item "difference in tax base" mainly relates to the tax exemption or non-deductibility of dividend income and sales of investments in connection with the investments accounted for at equity. The reconciliation item "recognition and measurement of deferred tax" mainly contains deferred tax recognized on previously unrecognized tax losses from prior years of €88 million. In the reporting year the effects relating to other periods largely result from the utilization of previously unrecognized tax losses from prior years.

	Deferred tax assets		Deferred tax liabilities	
€ million	**31/12/2022**	31/12/2021	**31/12/2022**	31/12/2021
Intangible assets			0	0
Investments accounted for at equity			377	289
Other receivables and assets			45	0
Unused tax losses	251	163		
Assets classified as held for sale		5		22
Provisions for pensions	3	8		
Other provisions	3	3		
Other liabilities	1	0	8	
Liabilities associated with assets classified as held for sale		4		5
Gross value	258	183	430	317
Offsetting	–258	–182	–258	–182
Reclassification		–2		–20
Carrying amount according to consolidated balance sheet	**0**	**0**	**172**	**116**

The changes in deferred tax assets and liabilities recognized through other comprehensive income can be found in the statement of comprehensive income. In the fiscal year, deferred tax liabilities of €24 million were recognized directly via equity (€1 million released). All other changes are recognized through profit or loss.

Notes to the consolidated balance sheet

[9] Investments accounted for at equity

€ million	VW 2022	Porsche AG 2022	Portfolio investments 2022	Total 2022
Investments accounted for at equity	47,193	10,196	116	57,506

€ million	VW 2021	Porsche AG 2021	Portfolio investments 2021	Total 2021
Investments accounted for at equity	41,521		6	41,527

The shares in portfolio investments accounted for at equity comprise the investments in INRIX and in the fiscal year 2022 also in ETS.

Investments in Volkswagen AG accounted for at equity

The market value of Porsche SE's investment in Volkswagen AG accounted for at equity amounts to €23,244 million as of 31 December 2022 (€40,691 million). In the fiscal year 2022, on the basis of the resolution of the annual general meeting on 12 May 2022, Porsche SE initially received from Volkswagen AG a gross dividend of €1,201 million, or after deducting capital gains tax plus solidarity surcharge, a net dividend of €884 million (prior year: €756 million; no capital gains tax was deducted). Furthermore, in the fiscal year Porsche SE obtained a dividend claim against Volkswagen AG of €3,052 million on the basis of the resolution of the extraordinary general meeting on 16 December 2022 to distribute a special dividend. No capital gains tax was deducted (see section "Changes in the reporting period"). €3,001 million of the dividend claim is attributable to the ordinary shares accounted for at equity and €51 million to the preference shares held for sale (see note [2]). The carrying amount of the investment in Volkswagen AG accounted for at equity decreased as a result of these dividend resolutions in the fiscal year 2022 by a total of €4,202 million.

Since the termination of the undrawn credit line in place until 30 September 2022, the shares in Volkswagen AG held by Porsche SE no longer serve as collateral. The loan agreements concluded in the reporting year stipulate that proceeds from a sale of the ordinary shares of Volkswagen AG are in principle initially to be used for the (early) repayment of the bridge financing utilized. The loan agreements also include conditions that link the amount of the dividend distributions of Porsche SE to its shareholders to the amount of the dividend distributions received by Porsche SE from its investments in Volkswagen AG and Porsche AG. This allows for both a rigorous reduction of financial liabilities as well as a continued appropriate profit participation of the shareholders of Porsche SE.

Taking into account uniform accounting policies as well as the identification and subsequent measurement of hidden reserves and liabilities for the shares held by Porsche SE, the Volkswagen Group reports the following figures:

€ million	VW Tranche 1 FY2009 (29.86%) 31/12/2022	VW Tranche 2 FY2015 (0.88%) 31/12/2022	VW Tranches 3 & 4 FY2018-2020 (0.66%) 31/12/2022	VW Total 31/12/2022
Non-current assets	348,448	365,426	393,038	-
Current assets	224,309	224,309	224,309	-
Non-current liabilities	204,740	212,282	216,109	-
Current liabilities	182,992	182,992	182,992	-
Equity	185,025	194,460	218,246	-
less non-controlling interests and hybrid capital investors	–27,071	–24,843	–25,090	-
less effects from additional dividends	–12	–12	–12	-
Equity adjusted for at equity accounting	157,941	169,605	193,144	-
Equity share adjusted for at equity accounting	47,164	1,488	1,284	-
less intercompany profit	–1,288			-
less proportionate decrease in PAG-shareholdings	–1,384	–41	–31	-
Carrying amount of the investment in Volkswagen AG accounted for at equity	**44,492**	**1,447**	**1,253**	**47,193**

€ million	VW Tranche 1 FY2009 (29.88%) 31/12/2021	VW Tranche 2 FY2015 (0.88%) 31/12/2021	VW Tranches 3 & 4 FY2018-2020 (0.66%) 31/12/2021	VW Total 31/12/2021
Non-current assets	333,103	352,945	383,588	-
Current assets	200,347	200,347	200,347	-
Non-current liabilities	217,203	225,312	229,972	-
Current liabilities	164,393	164,393	164,393	-
Equity	151,854	163,587	189,570	-
less non-controlling interests and hybrid capital investors	–16,144	–16,144	–16,144	-
less effects from additional dividends	–12	–12	–12	-
Equity adjusted for at equity accounting	135,697	147,431	173,414	-
Equity share adjusted for at equity accounting	40,540	1,293	1,153	-
less intercompany profit	–1,465			-
Carrying amount of the investment in Volkswagen AG accounted for at equity[1]	**39,075**	**1,293**	**1,153**	**41,521**

[1] Presentation of the prior year adjusted.

The eliminated intercompany profit is attributable to the contribution of the holding business operations of Porsche SE 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 equivalent to a capital share of 12.1% triggered the proportionate realization of the intercompany profit of €177 million (see note [4]).

The sale of preference shares and ordinary shares of Porsche AG (see section "Changes in the reporting period") increased the equity of the Volkswagen Group by €19.1 billion, net of bank commissions and fees of €0.1 billion taken directly to equity; of this amount, €10.8 billion is reported as non-controlling interests and the remaining portion is allocated to the shareholders of Volkswagen AG ("result from changes in the proportion of equity held by non-controlling interests"). In the course of accounting for the investment in Volkswagen AG at equity in the consolidated financial statements of Porsche SE, this result from changes in the proportion of equity held by non-controlling interests had to be aligned with uniform group accounting policies taking into account adjustments made in prior years in a first step and then eliminated on a pro rata basis to the extent that it results from the acquisition of ordinary shares by Porsche SE itself. At the level of the Porsche SE Group, this was also accounted for without an effect on profit or loss.

In light of a carrying amount of the investment in Volkswagen AG accounted for at equity of €47,193 million (€41,521 million) above the pro rata market capitalization of €23,244 million (€40,691 million) an impairment test was performed as of 31 December 2022.

The impairment test regarding the investment in Volkswagen AG was performed by determining the value in use on the basis of a discounted cash flow method.

As in the prior year, the calculation of the value in use was based on the current five-year plan prepared by the board of management of Volkswagen AG. The development of the results of operations assumed for the fiscal year 2023 for the purpose of the impairment test is within the range forecast by Volkswagen, which indicates for the group an operating return on sales of between 7.5% and 8.5% and revenue that is 10% and 15% higher than the prior year. With regard to the overall five-year planning period, the assumed average annual revenue growth, based on 2022, is in the upper single-digit percentage range.

The assumed revenue growth is based on the expectation that global economic output in 2023 will grow overall, albeit at a slower pace. Volkswagen expects the persistently high inflation in many regions and the restrictive monetary policy measures taken by central banks to rein this in to increasingly dampen consumer spending. Volkswagen continues to see risks in protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, Volkswagen sees continuing geopolitical tensions and conflicts – the Russia-Ukraine conflict in particular – as weighing on growth prospects. Volkswagen also cannot rule out that risks may arise if new variants of the SARS-CoV-2 virus occur, particularly regional outbreaks and the associated measures. Volkswagen 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. Moreover, Volkswagen expects the global economy to recover in 2024 and continue a path of stable growth until 2027.

Trends for the automotive markets in the individual regions are expected to be mixed in 2023. Overall, the global volume of new car sales is expected to be noticeably higher than in the prior year. Growing demand is forecast for passenger cars worldwide in the period from 2024 to 2027.

In the planning period, the planned ratio of capex to revenue in the automotive division is above the level of the long-term target ratio of around 5% of revenue. The investments in production facilities and models, in the development of electric drives and modular toolkits and in digitalization are laying the foundations for profitable, sustainable growth at Volkswagen. It is assumed that the operating return on sales will develop positively over the planning years, in line with the Volkswagen Group's long-term target of an operating return on sales of between 8% and 9% by 2025.

For further estimates and assumptions based on the planning of the Volkswagen Group, reference is made to the section "Accounting judgments, estimates and assumptions of the management at the level of the Volkswagen Group".

An annual growth rate of 1.0% (1.0%) was used to extrapolate the cash flows beyond the detailed planning period. The sustainable operating return on sales is based on the lower end of the Volkswagen Group's long-term target. For the investment in Volkswagen AG, a weighted average cost of capital of 8.5% (8.1%) or input tax capital cost rate of 11.9% (10.7%) was used to discount the cash flows. This was derived using a peer group analysis and thus reflects a risk-adequate return on capital customary in the industry. To take into account the share of equity of Porsche AG not attributable to Volkswagen AG of 25%, the value of equity of Volkswagen AG was reduced accordingly.

The impairment test included a sensitivity analysis of the critical assumptions. This involved analyzing whether an isolated reduction in the sustainable operating return on sales by one percentage point, an isolated reduction of the sustainable annual growth rate to 0% or an isolated increase in the average weighted cost of capital by one percentage point would lead to an impairment of the investment in Volkswagen AG.

The value in use determined in the impairment test is significantly higher than the carrying amount of the investment in Volkswagen AG accounted for at equity. The sensitivity analysis also yielded a value in use that was considerably higher than the carrying amount in all of the scenarios considered. As a result, there was no need to recognize an impairment loss as of 31 December 2022, as was also the case in the prior year.

Investments in Porsche AG accounted for at equity

The ordinary shares of Porsche AG held by Porsche SE are not listed. Applying the stock price of the preference shares of Porsche AG plus an ordinary share premium of 7.5% would result in a proportionate value of Porsche SE's investment in Porsche AG of €11,599 million as of 31 December 2022, or €10,790 million without taking into account an ordinary share premium, which is thus higher than the carrying amount accounted for at equity of €10,196 million. There were no indications of impairment as of the reporting date. In the fiscal year, Porsche SE did not receive any dividends from Porsche AG.

A lien in favor of Volkswagen was granted over 7.5% of the ordinary shares of Porsche AG held by Porsche SE as of 31 December 2022. The lien expired upon settlement of the purchase price liability on 9 January 2023 (see the section "Changes in the reporting period"). There are restrictions on the sale of ordinary shares of Porsche AG until 2027. The loan agreements concluded in the reporting year also stipulate that proceeds from a sale of the ordinary shares of Porsche AG are in principle initially to be used for the (early) repayment of the bridge financing utilized. The loan agreements also include conditions that link the amount of the dividend distributions of Porsche SE to its shareholders to the amount of the dividend distributions of Porsche SE received from its investments in Volkswagen AG and Porsche AG. This allows for both a systematic reduction of financial liabilities as well as a continued appropriate profit participation of the shareholders of Porsche SE.

Taking into account the identification and subsequent measurement of hidden reserves and liabilities for the shares held by Porsche SE, the Porsche AG Group reports the following figures:

	Porsche AG
€ million	**31/12/2022**
Non-current assets	62,451
Current assets	21,989
Non-current liabilities	24,895
Current liabilities	16,613
Equity	42,925
less non-controlling interests	–8
less effects from additional dividends	–1
Equity adjusted for at equity accounting	42,916
Equity share adjusted for at equity accounting	5,365
plus goodwill	4,832
Carrying amount of the investment in Porsche AG accounted for at equity	**10,196**

Shares in portfolio investments accounted for at equity

Since this reporting year, the investment in ETS has been included in the consolidated financial statements of Porsche SE in accordance with the equity method (see section “Changes in the reporting period”).

With regard to the shares in ETS accounted for at equity, an impairment test was performed especially in light of the increase in market interest rates as of 31 December 2022. The impairment test regarding the investment in ETS was performed by determining the value in use on the basis of a discounted cash flow method.

The value in use as of 31 December 2022 was determined based on a current plan of the management of ETS, which was prepared on the basis of the bottom-up planning of the operating companies using uniform planning assumptions for 2023. The detailed planning period covered the period from 2023 to 2026.

In the planning period, the assumed average annual revenue growth, based on 2022, is in the high single-digit percentage range. The growth assumptions take into account effects from existing supply bottlenecks, cost effects and cost increases caused by inflation. Due, among other things, to expected operating synergies between the operating subsidiaries of ETS, the operating return on sales is expected, based on 2022, to increase by several percentage points in the planning period.

To extrapolate the cash flows beyond the detailed planning period, ETS’s planning was extended by a planning year 2027 for the purpose of a transition to a sustainable annual growth rate of 1.0% in the perpetual annuity. To discount the cash flows, an after-tax weighted average cost of capital of 8.1% was derived on the basis of a peer group analysis. The corresponding pre-tax weighted average cost of capital stands at 10.5%.

The impairment test included a sensitivity analysis of the critical assumptions. This involved analyzing whether an isolated reduction in the sustainable operating return on sales by 10%, an isolated reduction of the sustainable annual growth rate to 0% or an isolated increase in the average weighted cost of capital by one percentage point would lead to an impairment of goodwill.

The value in use determined in the impairment test is significantly higher than the carrying amount of ETS. The sensitivity analysis also yielded a value in use that was higher than the carrying amount in all of the scenarios considered. As a result, there was no need to recognize an impairment loss as of 31 December 2022.

Taking into account the identification and subsequent measurement of hidden reserves and liabilities for the shares held by Porsche SE, the ETS Group reports the following figures:

	ETS
€ million	**31/12/2022**
Non-current assets	411
Current assets	173
Non-current liabilities	333
Current liabilities	120
Equity	131
less non-controlling interests	–19
Equity adjusted for at equity accounting	112
Equity share adjusted for at equity accounting	40
plus goodwill	66
Carrying amount of the investment in ETS accounted for at equity	**106**

The carrying amount of the investment in INRIX accounted for at equity increased from €6 million to €10 million in the reporting year. Based on an impairment test performed as of 31 December 2022 as well as in light of the issue of shares to a new shareholder of INRIX at a fair value that significantly exceeded the carrying amount of Porsche SE’s investment in INRIX accounted for at equity, a write-up totaling €7 million was recognized in the reporting period.

[10] Other financial assets

€ million	31/12/2022			31/12/2021		
	current	non-current	Total	current	non-current	Total
Other financial assets		59	59	0	45	45
Interest rate derivatives		142	142			
Sundry other financial assets	25	3	28	1		1
	25	**204**	**229**	**1**	**45**	**46**

The increase in other financial assets is primarily due to the acquisition of or increase in shares in portfolio investments.

The change in value of interest rate swaps to secure the financing of the acquisition of ordinary shares of Porsche AG (see section "Changes in the reporting period") to positive fair values totaling €142 million (see note [19]) caused other financial assets to increase further.

Sundry other financial assets primarily contain a receivable of Porsche SE from Volkswagen AG of €22 million, which is attributable to the (special) dividend claim of Porsche SE offset against the remaining purchase price liability from the acquisition of ordinary shares of Porsche AG (see section "Changes in the reporting period").

[11] Equity

The development of equity is presented in the consolidated statement of changes in equity and in the consolidated statement of comprehensive income.

Subscribed capital

Unchanged from the figure at the end of the prior year, Porsche SE's subscribed capital totals €306.25 million and continues to be divided into 153,125,000 ordinary shares and 153,125,000 non-voting preference shares which have been fully paid in. Each share represents a €1 notional amount of the subscribed capital. The preference shares carry an additional dividend of 0.6 cents per share in the event of there being net profit available for distribution and a corresponding resolution on a distribution.

Capital reserves

The capital reserves contain additions from share premiums reduced by the transaction costs incurred.

Retained earnings

Retained earnings contain current profits and those earned by the group companies in prior years and not yet distributed as well as part of the changes in equity recognized on a pro rata basis as part of at equity accounting.

Other reserves (OCI)

Other reserves are divided into items to be reclassified to profit or loss in subsequent periods (reclassifiable items) and items that are not to be reclassified to profit or loss in subsequent periods (non-reclassifiable items). Key components of the two items are the accumulated reclassifiable or accumulated non-reclassifiable other comprehensive income in connection with the investments accounted for at equity since their acquisition. The non-reclassifiable items also contain the cumulative actuarial gains of the Porsche SE Group from pensions of €1 million (prior year: losses of €16 million) as well as the corresponding deferred tax liabilities of €0 million (prior year: deferred tax assets of €5 million). In the reporting year, the reclassifiable items include the cash flow hedge reserve, in which the effective changes in fair value of the interest rate swaps held as hedging instruments accumulated as of the reporting date of €129 million as well as the corresponding deferred tax liabilities of €39 million are recognized (see note [19]). Furthermore, the reclassifiable and non-reclassifiable items contain deferred tax in connection with investments in associates. In the fiscal year, a net amount of €410 million (€221 million) resulting from the accumulated expenses from investments accounted for at equity was reclassified to profit or loss. As of 31 December 2022, other reserves contain accumulated income and expenses that cannot be reclassified to profit or loss of €30 million as well as income and expenses that can be reclassified to profit or loss of €5 million relating to Porsche SE’s preference shares in Volkswagen AG classified as held for sale (see explanations in section “Changes in the reporting period” as well as notes [1] and [15]).

Proposal for the appropriation of profit

The separate financial statements of Porsche SE as of 31 December 2022 show a net profit of €4,104 million (€824 million). With transfers of €2,052 million to retained earnings (€41 million), the net profit available for distribution amounts to €2,052 million (€783 million). The board of management proposes a resolution for the distribution of a dividend of €2.554 per ordinary share and €2.560 per preference share, i.e., a total distribution of €783 million and a transfer to retained earnings of €1,269 million for the fiscal year 2022. Dividends paid out in the fiscal year 2022 amounted to €2.554 (€2.204) per ordinary share and €2.560 (€2.210) per preference share, in total €783 million (€676 million).

Earnings per share

Basic earnings per share from continuing operations are calculated by dividing the share of the result from continuing operations of Porsche SE’s shareholders by the weighted average number of ordinary and preference shares outstanding during the fiscal year. Basic earnings per share from discontinued operations are calculated by dividing the share of the result from discontinued operations of Porsche SE’s shareholders by the weighted average number of ordinary and preference shares outstanding during the fiscal year.

Taking into account the additional dividend for holders of preference shares results in a difference of 0.6 cents between the earnings per ordinary share and earnings per preference share. Since there were no transactions in 2022 and 2021 that had a dilutive effect on the number of shares, diluted earnings per share correspond to the basic earnings per share.

[12] Provisions for pensions and similar obligations

The Porsche SE Group provides both defined contribution and defined benefit plans.

In the case of defined contribution plans, the company makes contributions to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the company. Contributions amount to €0 million (€4 million) and were recognized in profit or loss; in the prior year, €4 million related to discontinued operations.

Provisions for pensions and similar obligations are recognized for benefits in the form of retirement, invalidity and dependents’ benefits payable under pension plans. The benefits generally depend on the length of service, remuneration and working hours arrangements of the beneficiary employees. The direct and indirect obligations include both current pension obligations and future pension and retirement benefit obligations. Porsche SE also provides conversion models, where employees at Porsche SE can make their own contributions to establish an additional personal pension account.

Actuarial assumptions

Pension obligations are calculated using actuarial methods based on a discount rate of 3.8% (1.1%) as well as a wage and salary increase of 3.0%, career progress of 0.5% and turnover of 3.0%, all of which remain unchanged on the prior year. Due to the increase in long-term inflation expectations, future pension increases were adjusted to 2.0% (1.7%). The most recent 2018 G Heubeck mortality tables were used for the calculation.

The carrying amount of pension provisions is derived as follows:

€ million	**2022**	2021
Present value (unfunded)	28	42
Provisions for pensions as of 31 December	**28**	**42**

In the comparative period, there were also plan assets. These related entirely to PTV and were disclosed under the item “liabilities associated with assets classified as held for sale” on account of being classified as a discontinued operation as defined by IFRS 5 as of 31 December 2021 (for further details see note [15]).

Changes in the present value of pension obligations

€ million	**2022**	2021[1]
As of 1 January	42	53
Current service cost	2	3
Interest expenses	0	0
Subtotal pension expense recognized through profit or loss	2	3[2]
Actuarial gains (–) and losses (+) arising from changes in demographic assumptions		0
Actuarial gains (–) and losses (+) arising from changes in financial assumptions	–15	–4
Actuarial gains (–) and losses (+) arising from experience adjustments	–1	–4
Subtotal revaluations recognized in other comprehensive income	–16	–7
Pension payments	–1	–1
Employee contributions	0	0
Reclassification to “liabilities associated with assets classified as held for sale”		–6
As of 31 December	**28**	**42**

1 The figures comprise continuing and discontinued operations.
2 Thereof relating to discontinued operations: €0 million.

In the course of sensitivity analyses, changes in individual parameters were assumed with otherwise no change to the assumptions. The discount rate and future salary increases were each increased/decreased by 0.5 percentage points and future pension increases and turnover each increased/decreased by 0.25 percentage points. The effects on the pension provisions ranged from minus €2 million to €2 million (minus €4 million to €5 million) in the reporting period.

The weighted average duration of pension obligations is 16 years (21 years). The cash outflow of pension provisions is expected to amount to €1 million (€1 million) within the next year, €4 million (€4 million) in a period of between one and five years and €23 million (€37 million) in a period of more than five years.

[13] Other provisions

			31/12/2022			31/12/2021
€ million	current	non-current	Total	current	non-current	Total
Provisions for bonuses and personnel costs	5	2	8	5	1	6
Provisions for costs of litigation	10	25	34	13	29	42
Sundry other provisions	14		14	14		14
	29	**27**	**56**	**31**	**30**	**61**

The amount reported for provisions for costs of litigation represents the expected amount to be paid for all litigation in which Porsche SE is involved directly or indirectly. They have been set up at the amount of attorneys' fees and litigation expenses (reference is made to the description of the litigation underlying these provisions in note [20]). The provision amounts and timing of the outflows are based on estimations that are continuously rolled forward and adjusted when needed.

Sundry other provisions primarily contain provisions for takeover obligations in connection with the contribution of the holding business operations of Porsche SE to Volkswagen AG in the fiscal year 2012 (reference is made to the explanations in note [22]).

The cash outflow for all non-current other provisions is expected within a period of between one and five years.

Other provisions developed as follows:

€ million	As of 1/1/2022	Additions	Utilization	Reversal	Discounting	**As of 31/12/2022**
Provisions for bonuses and personnel costs	6	6	–4	–1	0	8
Provisions for costs of litigation	42		–6		–2	34
Sundry other provisions	14	1		0		14
	61	**7**	**–10**	**–1**	**–2**	**56**

[14] Financial liabilities

Financial liabilities are measured at amortized cost and break down as follows:

	31/12/2022			31/12/2021		
€ million	current	non-current	Total	current	non-current	Total
Lease liabilities	1	0	1	0	0	0
Liabilities to banks	3,940	3,152	7,092			
	3,941	**3,152**	**7,093**	**0**	**0**	**0**

On 18 September 2022, a financing agreement was concluded with an international syndicate of banks for a total volume of €8.9 billion. Of this amount, €3.9 billion relates to bridge financing with a term of up to two years, €3 billion to a bank loan with a term of five years, €1 billion to a bank loan with a term of three years as well as €1 billion to a credit line with an initial term of three years. The financing components are subject to variable interest rates based on the Euro Interbank Offered Rate (EURIBOR) plus a margin. As of 31 December 2022, in addition to the credit line, €0.8 billion of the three-year bank loan had not been drawn. Porsche SE terminated this part of the three-year bank loan as of 20 January 2023.

To hedge interest rate risks, interest rate hedging instruments with a notional amount of €5.8 billion and terms of up to 5 years were concluded by 28 September 2022 (see note [19]).

For the bridge financing with a volume of €3.9 billion and an initial term of 1 year, Porsche SE has the unilateral possibility to extend it by an additional year. Porsche SE's planning is based on the assumption that the bridge financing will be fully replaced in the fiscal year 2023.

It is therefore presented as current financial liability despite the unilateral extension option and thus a term of up to 2 years. In this connection, a Schuldschein loan with a volume of €2.7 billion placed in March 2023 was used entirely to replace part of the bridge financing (see note [25]).

[15] Assets classified as held for sale

As of 31 December 2022, the item “Assets classified as held for sale" comprised around 2.7 million preference shares in Volkswagen AG (see section “Changes in the reporting period”), which are accounted for at their fair value (fair value level 1) of €314 million on the basis of the stock price as of the reporting date.

As of 31 December 2021, the assets and liabilities previously attributable to the PTV Group were recognized as a discontinued operation (see section “Changes in the reporting period”).

As of 31 December 2021, the main groups of assets and liabilities of the PTV Group classified as held for sale broke down as follows:

€ million	2021
Assets	
Intangible assets	218
Property, plant and equipment	33
Trade receivables	18
Other assets	22
Cash, cash equivalents and time deposits	25
Assets classified as held for sale	**316**
Liabilities	
Trade payables	3
Financial liabilities	25
Deferred tax liabilities	20
Other liabilities	61
Liabilities associated with assets classified as held for sale	**109**
Cumulative amount recognized in other comprehensive income	
Remeasurement of pensions	–1
Deferred tax on remeasurements of pensions	0
Currency translation	0
Reserve of disposal group classified as held for sale	**–1**

Other liabilities primarily included contract liabilities as defined by IFRS 15 of €26 million, other provisions of €9 million, provisions for pensions and similar obligations of €5 million as well as advance payments received on account of orders of €5 million.

The result from discontinued operations relates exclusively to PTV and in the fiscal year 2022 comprises the deconsolidation gain of PTV of €96 million.

In the fiscal year 2021, it broke down as follows:

€ million	2021
Revenue	116
Expenses	–110
Result before financial result	**6**
Financial result	–1
Result before tax from discontinued operations	**5**
Income tax	–2
Result after tax from discontinued operations	**3**
thereof attributable to shareholders of Porsche SE	3

Other notes

[16] Notes to the consolidated statement of cash flows

In the statement of cash flows, cash flows are divided into cash inflows and outflows from operating, investing and financial activities separately for discontinued and continuing operations, regardless of how the balance sheet is presented.

Cash inflows and outflows from operating activities are derived indirectly, starting from the result after tax. Therefore, all non-cash expenses and income, mainly the result from investments containing the result from investments accounted for at equity, the result from assets held for sale as well as the income and expenses from investment valuation, and the result after tax from discontinued operations are eliminated from the result after tax and adjusted for changes in other operating assets and liabilities. Other non-cash income primarily contains the realized intercompany profit in connection with the contribution of the holding business operations of Porsche SE to Volkswagen AG in the fiscal year 2012 (see note [4]). Interest paid and received as well as income taxes are disclosed separately. Interest paid also includes transaction costs accounted for using the effective interest method. Cash inflows from dividends are also a component of the cash inflows from operating activities. The gross dividend of €1,201 million attributable to Porsche SE in May of the fiscal year 2022, was initially subject to a deduction of capital gains tax plus solidarity surcharge of 26.375% or €317 million, which will not lead to a corresponding tax refund until subsequent years. The net dividend of €884 million received in the fiscal year is therefore recognized under cash inflow from operating activities.

Cash outflow from investing activities mainly includes cash paid for the acquisition of ordinary shares of Porsche AG of €7.1 billion as well as of preference shares of Volkswagen AG of €400 million and, on the other hand, cash received from the sale of shares in PTV of €226 million less cash and cash equivalents of the PTV Group of €25 million disposed of in the course of the deconsolidation (see section "Changes in the reporting period"). Furthermore, cash paid in connection with the acquisition of investments and participation in subsequent financing rounds at existing investments totaling €14 million (€23 million), cash received from the sale of investments of €2 million (€51 million), the investment of time deposits of €40 million (€28 million) as well as sales of other securities of €75 million (purchases of €3 million).

The cash inflow from financing activities is largely due borrowings of €7.1 billion. On the other hand, there were dividend payments to shareholders of Porsche SE of €783 million.

The financial liabilities from financing activities developed as follows:

€ million	As of 1/1/2022	Changes in cash	Non-cash changes	**As of 31/12/2022**
Financial liabilities	0	7,043	49	7,093

€ million	As of 1/1/2021	Changes in cash	Non-cash changes	Reclassification	As of 31/12/2021
Financial liabilities	37	−11	0	−25	0

The reclassification column in the prior year relates to reclassifications to the item “liabilities associated with assets classified as held for sale” (reference is made to the explanations in note [15]).

Cash and cash equivalents according to the statement of cash flows correspond to the cash and cash equivalents presented in the balance sheet and contain bank balances including short-term time deposits with an original term of up to three months.

The statement of cash flows contains a total of €1 million (€6 million) for total cash outflows from leases, of which €1 million (€1 million) relates to continuing operations.

[17] Segment reporting

Porsche SE is a holding company whose investment strategy aims to create sustainable value for its shareholders. 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. The sector focus in both investment categories is on mobility and industrial technology.

As chief operating decision maker, the board of management of Porsche SE uses the areas "core investments" and "portfolio investments" and their contribution to the result after tax as the basis for managing and allocating resources. Porsche SE's holding operations, comprising Porsche SE's corporate functions, including the holding financing function, are all allocated to the "core investments" for the purpose of managing resources.

The segment reporting of Porsche SE is based on the internal management and reporting within the Porsche SE Group and, on the basis of the two-part investment strategy, reports the two segments "core investments" and "portfolio investments".

The methods mentioned in the "Accounting policies" section apply to the segment reporting.

Reporting segments 2022:

€ million	Core investments	Portfolio investments	**Group 31/12/2022**
Result from investment in Volkswagen AG accounted for at equity	4,524		4,524
Result from investment in Porsche AG accounted for at equity	12		12
Result from investment in portfolio investments accounted for at equity		–3	–3
Result from investments accounted for at equity	**4,536**	**–3**	**4,533**
Result on assets held for sale	22		22
Income from investment valuation		12	12
Expenses from investment valuation		–11	–11
Result from investments	**4,558**	**–2**	**4,555**
Other operating income	179	0	179
Personnel expenses	–17		–17
Amortization and depreciation	–1		–1
Other operating expenses	–24	–1	–25
Result before financial result	**4,694**	**–3**	**4,691**
Finance costs	–71		–71
Other financial result	14		14
Result before tax	**4,638**	**–3**	**4,634**
Income tax	56	0	56
Result after tax from continuing operations	**4,694**	**–3**	**4,690**
Non-cash expenses (–) and income (+)	4,736	5	4,741
Segment assets	58,611	175	58,786
thereof from investments accounted for at equity	57,389	116	57,506
thereof from investments accounted for at equity Volkswagen AG	47,193		47,193
thereof from investments accounted for at equity Porsche AG	10,196		10,196
thereof from investments accounted for at equity portfolio investments		116	116
thereof additions to non-current assets[1]	1		1
Segment liabilities	7,369	0	7,369

[1] With the exception of financial instruments, deferred tax assets, assets from defined benefit plans and rights from insurance contracts.

The development of the result from investments accounted for at equity is presented in detail for Volkswagen AG and Porsche AG in note [1] while the development of the carrying amount of investments accounted for at equity is presented in note [9]. All non-current assets in the “core investments” segment are located/held entirely in Germany. The investments contained in the “portfolio investments” segment are based in North America, Europe and Israel.

Reporting segments 2021:

€ million	Core investment	Portfolio investments	Group 31/12/2021
Result from investment in Volkswagen AG accounted for at equity	4,628		4,628
Result from investment in portfolio investments accounted for at equity		3	3
Result from investments accounted for at equity	**4,628**	**3**	**4,631**
Income from investment valuation		5	5
Expenses from investment valuation		–22	–22
Result from investments	**4,628**	**–13**	**4,615**
Other operating income	6	0	6
Personnel expenses	–15		–15
Amortization and depreciation	–1		–1
Other operating expenses	–32	0	–32
Result before financial result	**4,585**	**–13**	**4,572**
Finance costs	–6		–6
Other financial result	–1		–1
Result before tax	**4,579**	**–13**	**4,565**
Income tax	–4	1	–3
Result after tax from continuing operations	**4,575**	**–12**	**4,563**
Non-cash expenses (–) and income (+)	4,613	–12	4,601
Segment assets	42,167	367[1]	42,533
thereof from investments accounted for at equity	41,521	6	41,527
thereof from investments accounted for at equity Volkswagen AG	41,521		41,521
thereof from investments accounted for at equity portfolio investments		6	6
thereof additions to non-current assets[2]	1	7[3]	8
Segment liabilities	227	110[1]	337

1 Including assets and liabilities from discontinued operations of €316 million and €109 million, respectively.
2 With the exception of financial instruments, deferred tax assets, assets from defined benefit plans and rights from insurance contracts.
3 Additions to non-current assets relate to discontinued operations.

In the fiscal year 2021, the result from investments accounted for at equity in the “core investment” segment relates entirely to Volkswagen AG (see note [1]).

All non-current assets in the “core investment” segment are located/held entirely in Germany in the fiscal year 2021. The investments contained in the “portfolio investments” segment are based in North America, Europe and Israel.

[18] Capital management

The aim of capital management at Porsche SE is to maintain a robust financial profile so as to strengthen its financial flexibility and preserve its ability to act strategically. The focus here is on securing sufficient liquidity, broad access to the capital market at attractive conditions and limiting financial risks. In order to ensure this, Porsche SE aims as a general rule to reduce its financial liabilities and thus strengthen its equity base. For the purpose of capital management, Porsche SE can, among other things, make adjustments to the dividend payments to shareholders. Group net liquidity serves as a core management indicator in this respect. This comprises cash and cash equivalents, time deposits and securities less financial liabilities as recognized in the consolidated balance sheet of Porsche SE.

€ million	**31/12/2022**	31/12/2021
Equity	51,417	42,196
Share of total capital	88%	100%
Non-current financial liabilities	3,152	0
Current financial liabilities	3,941	0
Total financial liabilities	7,093	0
Share of total capital	12%	0%
Total capital	**58,509**	**42,197**

Group net liquidity amounted to minus €6,672 million (€641 million) as of the reporting date.

Please refer to note [14] for the composition and development of financial liabilities as of the reporting date.

Porsche SE has an undrawn credit line of €1 billion with an initial term until 18 September 2025. The term can be extended by up to two years until 18 September 2027 with the consent of the lending banks.

The loan agreements concluded in the reporting year contain covenants, in particular financial covenants, that are monitored by Porsche SE as part of its capital management and were all complied with in the reporting period. If financial covenants are breached, the lending banks may call in the corresponding loans, regardless of the contractually agreed maturities. On the basis of the current financial planning, Porsche SE expects to continue to comply with the financial covenants.

In order to hedge against interest rate changes, Porsche SE has entered into derivative hedging instruments (see note [19]).

As a result of the acquisition of ordinary shares in Porsche AG and the related raising of debt capital (see note [14]), adjustments were made to capital management compared to the prior year. While the raising of debt capital gives rise to the related goal of repaying debt, it at the same time pushes the previous foremost goal of earning interest on credit balances into the background. Another adjustment relates to focusing on group net liquidity as a key management indicator for capital management.

[19] Financial risk management and financial instruments

1 Financial risk management principles

The principles and responsibilities for managing the risks are generally defined by the board of management and monitored by the supervisory board. The same applies in particular to risks that could arise from financing activities and the use of financial instruments. As part of operational risk management, processes were defined in particular to govern ongoing monitoring of the liquidity situation of the Porsche SE Group, ongoing monitoring of financial covenants in the course of third-party financing, the use of financial derivatives, ongoing monitoring of the enterprise value of Volkswagen AG and Porsche AG, of the portfolio investments, of the cash investments and of developments on the capital and money markets. This also includes monitoring any concentrations of risk within the Porsche SE Group. The risks are identified, evaluated, managed, monitored and documented using suitable information systems. The guidelines and the supporting systems are checked regularly and brought into line with current market developments.

For further details on risk management and on risks relating to financing and the use of financial instruments, reference is made to the “Opportunities and risks of future development” section in Porsche SE’s group management report.

2 Credit and default risk

The credit and default risk arising from financial assets involves the risk of default by counterparties, and therefore comprises at a maximum the amount of the carrying amounts recognized.

Cash and cash equivalents, time deposits, securities are invested and derivative financial instruments are entered into with different counterparties in Germany and abroad in order to spread the risk. Furthermore, various measures are taken as needed, such as obtaining hold harmless agreements.

At the Porsche SE Group, the expected credit loss model under IFRS 9 is generally applied consistently to all financial assets and other risk exposures. In particular, all financial assets measured at amortized cost are subject to the general approach provided there is no objective evidence of impairment upon initial recognition. The general approach divides the financial assets into three risk provisioning levels. Level 1 comprises financial assets that are recognized for the first time or do not show any significant increase in the probability of default. This level involves calculating anticipated bad debts for the next twelve months. Level 2 comprises financial assets that show a significant increase in the probability of default. Level 3 comprises financial assets that already show objective evidence of default. These two levels involve calculating anticipated bad debt for the entire term.

At the Porsche SE Group, the impairment model pursuant to IFRS 9 applies to assets with a total carrying amount of €449 million (€642 million).

Financial assets measured at amortized cost at the Porsche SE Group largely comprise cash and cash equivalents, securities and time deposits. The time deposits have a weighted average original maturity of five months. These financial instruments are allocated to risk provisioning level 1.

There are no significant impairment losses that need to be recognized.

3 Liquidity risk

The Porsche SE Group needs sufficient liquidity to meet its financial obligations.

The solvency and liquidity of the Porsche SE Group is continuously monitored by means of liquidity planning. Solvency and liquidity are additionally secured by a cash liquidity reserve and an undrawn credit line. The undrawn credit line had a volume of €1 billion as of the reporting date. A bank loan of €0.8 billion that was undrawn as of the reporting date was terminated as of 20 January 2023 (see note [14]).

The following overview shows the contractual undiscounted cash outflows from financial liabilities:

	Remaining contractual maturities			
€ million	within 1 year	in 1 to 5 years	more than 5 years	Total
31/12/2022				
Non-current financial liabilities	133	3,685		3,818
Trade payables	4			4
Current financial liabilities	224	4,051		4,275
Current other financial liabilities	1			1
	363	**7,736**		**8,099**
31/12/2021				
Non-current financial liabilities	0	0		0
Trade payables	2			2
Current financial liabilities	0			0
Current other financial liabilities	3			3
	5	**0**		**5**

The cash outflows recognized under non-current financial liabilities in the reporting year are primarily due to interest and principal payments for bank loans taking into account the EURIBOR interest curve as of the reporting date. The cash outflows within the next year recognized under current financial liabilities in the reporting year primarily relate to interest payments for bank loans. The cash outflows within the next 1 to 5 years recognized under current financial liabilities in the reporting year relate to interest and principal payments from the bridge financing. This is classified as a current financial liability due to its original term of 1 year and the planned repayment in full in the fiscal year 2023. When determining the contractual term to assess the liquidity risk, it must be taken into account that Porsche SE has the possibility to unilaterally extend the term of the bridge financing to a total of 2 years. Both the non-current and current financial liabilities contain lease liabilities totaling €1 million (€0 million).

The financing is subject to standard market financial covenants relating in particular to the market value of Porsche SE’s shares in Volkswagen AG and in Porsche AG as well as to the interest cover. A breach of financial covenants can in principle lead to the outstanding credit volume falling due and therefore to liquidity risks. Such developments are not foreseeable at present and are considered to be unlikely.

There are no significant concentrations of risk that are not evident from the notes to the financial statements and the management report.

4 Market risk

The Porsche SE Group is exposed to interest rate, stock price and currency risks in the course of its general business activities. There are no significant concentrations of risk that are not evident from the notes to the financial statements and management report.

4.1 Interest rate risk

4.1.1 Risk situation, risk management strategy and objective

Interest rate risks generally result from changes in market interest rates and affect the fair value of fixed-interest time deposits and securities, interest rate derivatives, financial receivables and liabilities as well as the interest of floating-rate assets and liabilities. The risk management strategy of Porsche SE aims to achieve a balanced reduction in uncertainty surrounding earnings and liquidity as a result of variable interest payments from borrowings.

In the reporting period, the interest rate risk of Porsche SE increased from raising variable-rate debt capital based on the EURIBOR (see note [14]). Of the total financing volume of €8.9 billion (including an undrawn credit line of €1 billion), €7.1 billion had been drawn as of the reporting date and recognized as a financial liability in that amount.

To hedge the interest rate risks resulting from the financing components as well as partly from their follow-up financing, fixed-payer swaps with a notional amount of €5.8 billion at a fixed average interest rate of around 2.47% and terms of up to 5 years were concluded by 28 September 2022 as part of the implementation of the risk management strategy, with 4 October 2022 being set as the start of the first interest period for a volume of €5.2 billion and 9 January 2023 for the remaining €0.6 billion. The interest rate hedges were thus concluded anticipatively. The hedging instruments and financing components of Porsche SE are based on the same hedged risk in the form of the EURIBOR interest rate risk. The interest rate hedging instruments are accounted for applying hedge accounting pursuant to IFRS 9 in the form of cash flow hedges. There was no hedge accounting in the prior year.

As Porsche SE assumed at the time of concluding the financing agreement that the special dividend of Volkswagen AG of €3.1 billion attributable to Porsche SE (see section “Changes in the reporting period”) would be paid out subject to a deduction of capital gains tax plus solidarity surcharge of €0.8 billion, the original financing plan provided for interim financing of €0.8 billion to be raised to finance the purchase price of the second tranche of ordinary shares of Porsche AG as of 9 January 2023. As the special dividend of Volkswagen AG was distributed to Porsche SE without deducting capital gains tax plus solidarity surcharge, Porsche SE did not utilize this financing component (see note [14]). Hedge accounting, in which this financing component was designated as the hedged item, was ended in December 2022 when it became known that capital gains tax would not be deducted upon distribution of the special dividend.

Effects of the interest rate risk on the result and equity arose in particular from the financial liabilities as well as their interest rate hedges.

Interest rate risk within the meaning of IFRS 7 is determined using sensitivity analyses. The effects of the risk-variable market rates of interest on the financial result and on equity are presented, net of tax. If market interest rates had been 100 basis points higher as of 31 December 2022, equity would have been €197 million (€0) higher and the result after tax €11 million (€0) higher. If market interest rates had been 100 basis points lower as of 31 December 2022, equity would have been €207 million (€0) lower and the result after tax €12 million (€0) lower.

4.1.2 Hedge accounting

Disclosures on gains and losses from cash flow hedges

€ million	2022
Gains or losses (statement of comprehensive income) from changes in fair value of hedging instruments within hedge accounting	116
Recognized in cash flow hedge reserve via other comprehensive income	129
Recognized in profit or loss (ineffectiveness)	0
Reclassification from the cash flow hedge reserve to profit or loss	–13
Due to early discontinuation of the hedging relationship	3
Due to realization of the hedged item	–17

Deferred tax liabilities of €39 million were recognized on the changes in the cash flow hedge reserve presented in the table.

The gain or loss from changes in the fair value of hedging instruments used in hedge accounting corresponds to the basis for determining hedge ineffectiveness. The ineffective portion of a cash flow hedge is the income or expense resulting from changes in the fair value of the hedging instrument that exceed the changes in the fair value of the hedged item. This hedge ineffectiveness is attributable to differences in the parameters for the hedging instrument and the hedged item. There was an insignificant degree of ineffectiveness in the reporting year. Such income and expenses are recognized in other financial result.

Disclosures on hedging instruments in hedge accounting

The table below shows the notional amounts, fair values and thus the carrying amount as well as base variables for determining the ineffectiveness of hedging instruments designated in cash flow hedges:

€ million	Notional amount	Other financial assets	Financial liabilities	Fair value changes to determine hedge ineffectiveness
31/12/2022				
Interest rate swaps to hedge interest rate risks	5,200	129	17	113

The fair value change used to determine ineffectiveness corresponds to the fair value change of the designated component.

The summary below presents the remaining maturities of the notional amounts of the hedging instruments:

	Remaining maturity			Notional amount total	Notional amount total
€ million	within 1 year	1 to 5 years	more than 5 years	**31/12/2022**	31/12/2021
Interest rate swaps to hedge interest rate risks		5,200		5,200	

The maturities of the hedging instruments do not exceed the expected remaining maturities of the hedged items.

The fair value of the hedging instruments is determined using market data as of the reporting date as well as appropriate valuation techniques. The following forward interest rate structures were used as a basis for the calculation:

%	
Interest rate for 3 months	3.20%
Interest rate for 6 months	3.62%
Interest rate for 1 year	3.61%
Interest rate 4 years	3.05%

Disclosures on hedged items in hedge accounting

Components of notional amounts of the financing volume have been designated as hedged items, with the hedged notional amount components being fully designated in each case. The notional amounts of the hedging instruments stated above match the hedged notional amount components of the hedged items. Overall, the first 74% of the financing volume has thus been hedged and accounted for under hedge accounting rules. The table below shows the base variables for determining the ineffectiveness and the amounts recognized in the cash flow hedge reserve for active hedging relationships:

€ million	Fair value changes to determine hedge ineffectiveness	Reserves for active cashflow hedges	Reserves for discontinued cashflow hedges
31/12/2022			
Hedged items	114	129	
Deferred tax assets		39	

To date, the financing components anticipatively designated as hedged items have occurred as expected at the time of their designation with the exception of an amount of €0.8 billion of the three-year bank loan that was not raised (see above). Hedged items in cash flow hedges are expected to be realized in accordance with the maturity patterns of the hedging instruments.

Development of the cash flow hedge reserve

Applying cash flow hedge accounting requires the designated effective changes in fair value of the hedging instruments to be recognized in the cash flow hedge reserve via other comprehensive income. They are reclassified to profit or loss in the case of hedges of variable-interest loans at the times when the hedged future interest payments have an impact on the income statement; reclassifications are recognized in the financial result. Any additional changes in the fair value of the designated or non-designated components are recognized in profit or loss as ineffectiveness.

€ million	**2022**
As of 1 January	
Gains or losses from effective hedging relationships	116
Reclassification due to changes in whether the hedged item is expected to occur	–3
Reclassification due to realization of the hedged item	17
As of 31 December	**129**

When it became evident in December 2022 that it was no longer necessary to borrow €0.8 billion of the three-year bank loan and thus that hedge accounting for the corresponding hedges was terminated, the changes in value of €3 million that had been recognized in the cash flow hedge reserve since the designation were reclassified to profit or loss.

Methods for monitoring hedge effectiveness

Hedge effectiveness is examined on a prospective basis using the critical terms match method, which requires a comparison of the base variables for the valuation of hedging instruments and hedged items. On this basis, a systematic compensating effect of hedged items and hedging instruments could be expected prospectively for all hedging relationships due to an economic relationship with respect to the hedged risk. Retrospective analysis of effectiveness or ineffectiveness uses effectiveness tests in the form of the dollar offset method. Under the dollar offset method, the changes in value of the hedged item expressed in monetary units are compared with the changes in value of the hedging instrument expressed in monetary units.

In the case of interest rate hedges at Porsche SE, the critical terms match method gives rise to the expectation of prospective effectiveness of the hedges as of the reporting date. Application of the dollar offset method did not give rise to any significant ineffectiveness for the past hedging period.

4.2 Stock price risk

Stock price risks arise from fluctuations in market prices.

Effects of the stock price risk on the result or on equity stem in particular from investments whose equity instruments are listed.

For portfolio investments whose equity instruments are listed, the share prices observable on the market are monitored and regularly marked to market. Changes in market values due to the volatility of share prices fully affect the group result of Porsche SE as a result of accounting for equity instruments at fair value through profit or loss.

If the stock price of the listed portfolio investments as of 31 December 2022 had been 10% higher, equity would have been €0 million (€2 million) higher and the result after tax €0 million (€2 million) higher. If the stock price of the listed portfolio investments as of 31 December 2022 had been 10% lower, equity would have been €0 million (€2 million) lower and the result after tax €0 million (€2 million) lower.

4.3 Foreign currency risk

The Porsche SE Group is not exposed to any significant risks from exchange rate fluctuations in its operating activities.

5 Measurement of financial instruments

The following table shows the reconciliation of the items of the balance sheet to the classes of financial instruments corresponding to the measurement categories at the Porsche SE Group, broken down by the carrying amount and fair value of the financial instruments:

	31/12/2022				
	Measured at fair value through profit or loss	Measured at amortized cost		Not assigned to any measurement category	Balance sheet item
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	
Non-current assets					
Investments accounted for at equity	n/a	n/a	n/a	57,506	57,506
Other financial assets	200	3	3	n/a	204
Current assets					
Other financial assets	n/a	25	25	n/a	25
Securities	n/a	70	70	n/a	70
Time deposits	n/a	265	265	n/a	265
Cash and cash equivalents	n/a	86	86	n/a	86
Assets classified as held for sale	314	n/a	n/a	n/a	314
Non-current liabilities					
Financial liabilities	n/a	3,152	3,152	n/a	3,152
Current liabilities					
Trade payables	n/a	4	4	n/a	4
Financial liabilities	17	3,924	3,924	n/a	3,941
Other financial liabilities	n/a	1	1	n/a	1

	31/12/2021				
	Measured at fair value through profit or loss		Measured at amortized cost	Not assigned to any measurement category	Balance sheet item
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	
Non-current assets					
Investments accounted for at equity	n/a	n/a	n/a	41,527	41,527
Other financial assets	45	n/a	n/a	n/a	45
Current assets					
Other financial assets	n/a	1	1	n/a	1
Securities	0	145	145	n/a	145
Time deposits	n/a	225	225	n/a	225
Cash and cash equivalents	n/a	271	271	n/a	271
Non-current liabilities					
Financial liabilities	n/a	n/a	n/a	0	0
Current liabilities					
Trade payables	n/a	2	2	n/a	2
Financial liabilities	n/a	n/a	n/a	0	0
Other financial liabilities	n/a	3	3	n/a	3

The allocation of fair value to the various levels is based on the availability of observable market data on an active market. Level 1 presents the fair values of financial instruments where a market price on active markets can be determined. Level 2 presents the fair value of financial instruments for which market data are directly or indirectly observable. In particular, yield curves, index and currency rates or market prices of listed securities whose performance depends exclusively on the financial instrument being valued are used as significant parameters. The presented fair values of the assets are determined using pricing methods or present value methods. Fair values of financial instruments in level 3 are determined using inputs that are not based on observable market data. Given their variable interest rate, the notional value of financial liabilities not measured at fair value through profit or loss provides a reasonable approximation of their fair value. The carrying amount of current assets and current liabilities not measured at fair value through profit or loss provides a reasonable approximation of their fair value. Transfers between the levels are taken into account on the respective reporting dates.

The following overview contains the breakdown of the financial instruments measured at fair value by level:

€ million	**31/12/2022**	Level 1	Level 2	Level 3
Financial instruments measured at fair value				
Non-current other financial assets	200	3	142	56
Current financial liabilities	17		17	

€ million	31/12/2021	Level 1	Level 2	Level 3
Financial instruments measured at fair value				
Non-current other financial assets	45	16		29

The interest rate swaps entered into to hedge the interest rate risk are recognized under current other financial assets or financial liabilities in the amount of the interest result caused in the current interest period and by the reporting date. The remaining fair value (clean price) is recognized under non-current other financial assets. The fair values of the interest rate swaps constitute level 2 fair values as their measurement is based on observable yield curves.

Non-current other financial assets also contain shares in portfolio investments. The fair value of these assets is based on stock prices or information derived from recently performed financing measures.

There were no reclassifications in the reporting year. In the prior year as a result of initial public offerings ("IPOs") of two portfolio companies and therefore market prices from active markets being available, there were reclassifications in the non-current other financial assets of €14 million from level 3 to level 1 and of €2 million from level 2 to level 1.

The table below shows a reconciliation of the fair value of the non-current financial assets that were allocated to level 3 in the fiscal year:

€ million	**2022**	2021
Fair value as of 1 January	29	16
Profit recognized through profit or loss	12	5
Investments	14	22
Reclassification from level 3		–14
Fair value as of 31 December	**56**	**29**

The net gains or losses of the respective measurement categories are as follows:

€ million	**2022**	2021
Financial assets measured at fair value through profit or loss (FVtPL)	14	–17
Liabilities measured at fair value through profit or loss (FVtPL)		
Financial assets measured at amortized cost (FAAC)	1	0
Financial liabilities measured at amortized cost (FLAC)	–68	0
	–53	**–17**

Net gains or losses from financial assets measured at fair value through profit or loss primarily result from the fair value measurement of shares in portfolio investments and interest rate hedging instruments no longer included in hedge accounting. These are recognized in the consolidated income statement under income/expenses from investment valuation or in other financial result. Net gains or losses from assets measured at fair value through profit or loss contain unrealized gains of €24 million (€5 million) and unrealized losses of €11 million (€2 million).

[20] Contingent liabilities from legal disputes

Porsche SE is involved in various legal proceedings. Porsche SE's assessment of the actions pending as of 31 December 2022 is presented below. To date, provisions had been set up for all proceedings exclusively for the expected attorneys' fees and litigation expenses, but not for the underlying matters in dispute, as the likelihood of the plaintiffs prevailing is estimated to be less than 50%. Due to the complexity of the underlying questions of law and fact, the financial impact in terms of the amount in dispute being claimed is presented below.

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 have been 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 yet inconsistent. 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 a currently suspended action concerning 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 and on 14 February 2023, one defendant requested to recuse two judges of the Higher Regional Court of Stuttgart for fear of bias. A decision on the motions to recuse is yet to be made. 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 211 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, 11 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 are currently suspended, whereby the majority of the suspended proceedings is 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 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.

In an additional appeal proceeding in which approximately €158 million (plus interest) in damages were claimed, the Higher Regional Court of Stuttgart dismissed the action by a legally binding decision of 12 April 2022 in its full amount for lack of a damage.

A KapMuG proceeding, initiated by order for reference of the Regional Court of Stuttgart of 28 February 2017, is pending before the Higher Regional Court of Stuttgart. On 22 October 2020, the Higher Regional Court of Stuttgart appointed a model case plaintiff. 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 reportings. The Higher Regional Court of Stuttgart has scheduled the announcement of a decision for 29 March 2023 during which it might issue a model case ruling. It is also possible that the Higher Regional Court of Stuttgart will issue an order to take evidence or will inform on its provisional legal position or the further proceedings in this case. Other hearings have not been scheduled yet.

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 hearings are set to take place on 23 and 24 May 2023. The Higher Regional Court of Braunschweig announced to present a program for taking evidence in these hearings should the model case parties do not indicate their willingness for out-of-court settlement efforts. 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.

There were no other significant changes in the reporting period. In particular, Porsche SE continues not to have reliable findings or assessments that would lead to a different evaluation of the legal risks.

[21] Contingent assets

During the assessment periods 2006 to 2009, Porsche SE was initially the legal successor of Porsche AG and later the ultimate tax parent and thus liable for tax payments. In the course of the contribution of the business operations in the fiscal year 2012, the tax obligations of Porsche SE and its subsidiaries for the period to until 31 July 2009 were not transferred to Volkswagen AG. Any offsetting tax relief at a later stage at the level of Porsche Holding Stuttgart GmbH, Porsche AG or the subsidiaries concerned at the Porsche AG Group cannot be recognized in the consolidated financial statements of Porsche SE, as these companies no longer belong to the group of fully consolidated subsidiaries of the Porsche SE Group in accordance with IFRS regulations. These incur instead at the level of the Volkswagen Group. In connection with the business contribution, Volkswagen AG agreed in principle to refund to Porsche SE tax benefits – for example in the form of a refund, tax reduction or tax saving, a reversal of tax liabilities or provisions or an increase in tax losses – of Porsche Holding Stuttgart GmbH, Porsche AG and its legal predecessors and subsidiaries which pertain to assessment periods up until 31 July 2009. In return, under certain circumstances Porsche SE holds Porsche Holding Stuttgart GmbH, Porsche AG and 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. If the total tax benefits exceed the total tax disadvantages, Porsche SE has a claim against Volkswagen AG to payment of the amount by which the tax benefits exceed the tax disadvantages. The amount of tax benefits and tax disadvantages to be taken into account is regulated in the contribution agreement. The risks arising at the level of Porsche SE, for which provisions were recognized in prior years and payments were made, will in some cases lead to tax benefits at the Volkswagen Group that are expected to partly compensate the tax risks of Porsche SE. However, the provisions in the contribution agreement do not cover all matters and thus not all tax risks of Porsche SE from the tax field audits for the assessment periods 2006 to 2009. It will therefore not be possible to reasonably determine any potential refund claim until at the earliest the tax field audit has been completed for the 2009 assessment period, and accordingly no claims were recognized as assets in the consolidated financial statements. Based on the findings of the completed tax field audit for the assessment periods 2006 to 2008 and the information available for the assessment period 2009 when these consolidated financial statements were issued for publication, it is estimated that Porsche SE has a claim for compensation against Volkswagen AG in the low triple-digit million-euro range. Future findings and legal changes may lead to an increase or decrease in the possible compensation claim.

[22] Related parties

In accordance with IAS 24, transactions and relationships with third parties which are in control of or controlled by the Porsche SE Group must be disclosed. Pursuant to a consortium agreement, the Porsche and Piëch families have direct and indirect control respectively of the parent company Porsche SE.

The disclosure requirements under IAS 24 also extend to persons who have the power to exercise significant influence over the entity, i.e., who have the power to participate in the financial and operating policies of the entity, but do not control it. In the fiscal year 2022 and in the comparative period, this concerns members of the supervisory board and the board of management of Porsche SE as well as their close family members.

The disclosure requirements pursuant to IAS 24 also include persons and entities over which the Porsche SE Group can exercise a significant influence. In the reporting period and the comparative period, related parties included the associates as well as their subsidiaries and concern in particular Volkswagen AG and its subsidiaries including Porsche AG and its subsidiaries.

With regard to the disclosures and information on the acquisition of ordinary shares in Porsche AG by Porsche SE from Volkswagen, reference is made to the explanations in section “Changes in the reporting period” as well as notes [1] and [9].

The table below contains the receivables and liabilities contained in the balance sheet as of the reporting date as well as the supplies and services rendered and received and other income and expenses for the fiscal year resulting from business transactions between the Porsche SE Group and its related parties:

	Supplies and services rendered and other income		Supplies and services received and other expenses	
€ million	**2022**	2021	**2022**	2021
Porsche and Piëch families	0	0		
Associates	0	4	5	7
	0	**4**	**5**	**7**

	Receivables		Liabilities	
€ million	**31/12/2022**	31/12/2021	**31/12/2022**	31/12/2021
Porsche and Piëch families		0		
Associates	22	0	10	10
	22	**0**	**10**	**10**

The table above does not contain Porsche SE's participation in a capital increase of ETS with an amount of around €35 million. In this connection, please also refer to the corresponding explanations in the section "Changes in the reporting period".

The table above also does not contain the dividends received from Volkswagen AG in the fiscal year. These initially comprise, on the basis of the resolution of the annual general meeting on 12 May 2022, a gross dividend of €1,201 million, or after deduction of capital gains tax plus solidarity surcharge, a net dividend of €884 million (prior year: €756 million; no capital gains tax was deducted). Furthermore, in the fiscal year Porsche SE obtained a dividend claim against Volkswagen AG of €3,052 million on the basis of the resolution of the extraordinary general meeting on 16 December 2022 to distribute a special dividend. No capital gains tax was deducted. In December 2022, Volkswagen AG and Porsche SE agreed to offset Porsche SE's dividend claim against Volkswagen AG against Porsche SE's obligation to pay the remaining purchase price liability of €3.0 billion for the acquisition of ordinary shares in Porsche AG. In the consolidated financial statements as of 31 December 2022, the dividend receivable and the purchase price liability are therefore presented on a net basis and are contained in the amount of €22 million under receivables from associates in the table above (see section "Changes in the reporting period").

In connection with the acquisition of ordinary shares in Porsche AG (see section “Changes in the reporting period”), Porsche SE and Volkswagen agreed that Volkswagen would agree to a proposal by Porsche AG to distribute a dividend of €911 million plus an additional dividend of €0.01 per preference shares for the fiscal year 2022 at the annual general meeting of Porsche AG in the fiscal year 2023. At the level of Porsche SE, a corresponding resolution of the annual general meeting of Porsche AG, would lead to the recognition of a dividend claim against Porsche AG of €114 million by directly offsetting it against the carrying amount of the investment in Porsche AG accounted for at equity.

As in the prior year, service transactions were primarily with the Volkswagen Group in the reporting year. Supplies and services received and other expenses in the reporting period mainly consisted of services as well as the provision of vehicles. Liabilities mainly comprise obligations in connection with the contribution of the holding business operations of Porsche SE to Volkswagen AG in the fiscal year 2012 (hereinafter also referred to as “contribution” or “business contribution”).

The following agreements were entered into by Porsche SE, Volkswagen AG and entities of the Porsche Holding Stuttgart GmbH Group in connection with the contribution and the basic agreement prior to that as well as the associated agreements implementing it, which continued to be valid:

- Volkswagen AG has agreed to hold Porsche SE harmless for internal purposes from any claims of the German Deposit Protection Fund after Porsche SE issued a hold harmless declaration to the deposit guarantee fund agency as required by the Association of German Banks in August 2009. In addition, Volkswagen AG has undertaken to hold the Deposit Protection Fund harmless from any losses incurred as a result of its actions in favor of a majority-owned bank.

- Under the contribution agreement, Porsche SE in certain circumstances holds Porsche Holding Stuttgart GmbH, Porsche AG and 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 Porsche Holding Stuttgart GmbH, Porsche AG and their legal predecessors and subsidiaries relating to tax assessment periods up to 31 July 2009 (reference is made to note [21]).

Within the scope of the basic agreement, Porsche SE and Volkswagen AG had granted each other put and call options relating to the 50.1% share in Porsche Holding Stuttgart GmbH remaining at Porsche SE prior to the contribution of its holding business operations to Volkswagen AG. Both Volkswagen AG (in the event that it exercises its call options) as well as Porsche SE (in the event that it exercises its put options) had both agreed to bear any tax expenses arising from exercising the options and from any downstream measures with respect to the investments in Porsche Holding Stuttgart GmbH (e.g., from back taxes on the 2007 and/or 2009 spin-off). If Volkswagen AG, Porsche Holding Stuttgart GmbH, Porsche AG or their respective subsidiaries had enjoyed tax benefits as a result of subsequent taxation of the 2007 and/or 2009 spin-off, the purchase price payable by Volkswagen AG for the transfer of the remaining 50.1% share in Porsche Holding Stuttgart GmbH would have increased by the present value of the tax benefits if Porsche SE had exercised its put options. This rule was taken over in the course of the contribution agreement to the extent that Porsche SE has a payment claim against Volkswagen AG equivalent to the present value of the recoverable tax benefits as a result of back tax payments on the 2007 spin-off owing to the contribution. In connection with the contribution it was also agreed that Porsche SE would release Volkswagen AG, Porsche Holding Stuttgart GmbH and its subsidiaries from any tax liability with respect to subsequent taxation in 2012 resulting from any action or omission by Porsche SE upon or subsequent to the execution of the contribution. Also in that event, Porsche SE has a payment claim against Volkswagen AG in the amount of the present value of the recoverable tax benefits resulting from such a transaction at the level of Volkswagen AG or one of its subsidiaries.

In connection with the contribution of the holding business operations of Porsche SE to Volkswagen AG, additional agreements were concluded and declarations submitted, which primarily include:

- Porsche SE under certain circumstances holds its subsidiaries transferred under the contribution agreement, Porsche Holding Stuttgart GmbH and Porsche AG and its subsidiaries, harmless from certain obligations towards Porsche SE pertaining to the period up to and including 31 December 2011 and that go beyond the obligations recognized for these entities for this period.

- In addition, Porsche SE holds Volkswagen AG, Porsche Holding Stuttgart GmbH, Porsche AG and their subsidiaries harmless from half of the amount of the tax (with the exception of income tax) arising at their respective levels in connection with the contribution and that would not have been incurred had the call options been exercised for the shares in Porsche Holding Stuttgart GmbH remaining at Porsche SE prior to the contribution. Accordingly, Volkswagen AG holds Porsche SE harmless for half the amount of such tax incurred there.

- It was also agreed to allocate based on causation any subsequent VAT receivables and/or VAT liabilities from transactions up to 31 December 2009 between Porsche SE and Porsche AG. A corresponding receivable by Porsche SE from Porsche AG is contained in the table above as of 31 December 2022.

- Various information, conduct and cooperation duties were agreed in the contribution agreement between Porsche SE and the Volkswagen Group.

As part of the IPO of Porsche AG and the acquisition of ordinary shares of Porsche AG by Porsche SE, Porsche SE and Volkswagen AG entered not only into the share purchase agreement and the shareholders' agreement, the material effects of which are presented in section “Changes in the reporting period”, but also into a “procedural and amendment agreement and agreement to amend the comprehensive agreement”. The latter led to amendments to some provisions, including those on appointments to governing bodies of Porsche AG, contained in the comprehensive agreement.

The following benefits and payments were recorded for the board work of the members of the board of management and the supervisory board of Porsche SE:

€ million	**2022**	2021
Short-term employee benefits	5	3
Post-employment benefits	1	1
Other long-term benefits	2	1
	8	**4**

Post-employment benefits contain additions to the pension provisions. Other long-term benefits concern the addition to provisions for the long-term component of the variable incentive of the members of the board of management of Porsche SE.

As of the end of the fiscal year, the outstanding balances for the remuneration of active members of Porsche SE's board of management and supervisory board amounted to €8 million (€8 million).

[23] Remuneration of the board of management and the supervisory board[1]

The total remuneration of members of Porsche SE's board of management amount to €4 million in the fiscal year 2022 (€3 million).

Remuneration for former board of management members amounts to €0 million (€0 million).

The provisions for post-employment benefits recognized for former members of the board of management amount to €2 million (€3 million) as of the reporting date.

The total remuneration of the supervisory board for the fiscal year 2022 amounts to €1 million (€1 million).

[1] Disclosure pursuant to Sec. 314 (1) No. 6a Sentence 1 to 4, 6b HGB in conjunction with Sec. 315e HGB

[24] Auditor's fees

The auditor's fees charged by the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Stuttgart branch, for the fiscal year in accordance with Sec. 314 (1) No. 9 HGB break down as follows:

€ thousand	**2022**	2021
Audit of financial statements services	841	739
Other services		47
	841	**786**

[25] Subsequent events

Upon payment of the special dividend by Volkswagen AG on 9 January 2023, the purchase price liability from the acquisition of the second tranche of ordinary shares of Porsche AG of €3.0 billion to Volkswagen AG was offset with the dividend claim of Porsche SE against Volkswagen AG of €3.1 billion. The lien on the ordinary shares of the second tranche granted in favor of Volkswagen expired in this connection (see section "Changes in the reporting period").

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. With the promissory note, Porsche SE is refinancing a significant part of the initial bridge financing of €3.9 billion raised for the acquisition of ordinary shares in Porsche AG. There are plans to replace the remaining bridge financing by the end of the fiscal year 2023, partly by means of additional financial instruments.

In particular in light of the successful placement of the Schuldschein loan of €2.7 billion in March 2023, which significantly exceeded the volume predictable on the basis of similar transactions in the past, circumstances arose after the end of the fiscal year 2022 that no longer make selling the 2.7 million preference shares of Volkswagen AG held by Porsche SE by June 2023 seem highly probable (see section "Changes in the reporting period"). In the fiscal year 2023, the preference shares were therefore no longer classified as assets held for sale as a resulting in a retrospective application of the equity method in the fiscal year 2023. The capital share, which the at equity accounting for the investment in Volkswagen AG is based on, thus amounts to around 31.9% in the fiscal year 2023 compared to the approximately 31.4% that had been applicable in the fiscal year 2022 since classification pursuant to IFRS 5. Had the preference shares not been classified as assets held for sale in the fiscal year 2022, the result from assets held for sale of €22 million would not have arisen, the result from investments in Volkswagen AG accounted for at equity would have been €725 million higher, and the investment result would therefore have been €703 million higher. The group result after tax would have been €700 million higher, earnings per share from continuing operations would have been €2.29 higher and other comprehensive income would have been €5 million lower. The assets classified as held for sale of €314 million would not have existed and the carrying amount of the investment in Volkswagen AG accounted for at equity would have increased by €1,040 million, equity by €723 million and total assets by €727 million.

Between the reporting date and the date of preparing the financial statements, investments were made in three new portfolio investments and one existing portfolio investment in the portfolio investments segment with a total investment volume in the mid-double-digit million euro range.

With the exception of the developments presented in the “Changes in the reporting period” section as well as note [20], there were no other reportable events after the reporting date.

[26] Declaration on the German Corporate Governance Code

The board of management and supervisory board of Porsche SE submitted the annual declaration of compliance in accordance with Sec. 161 AktG in December 2022 and made it permanently accessible to shareholders on the company’s website at www.porsche-se.com/en/company/corporate-governance/.

Stuttgart, 15 March 2023

Porsche Automobil Holding SE
The board of management

Hans Dieter Pötsch Dr. Manfred Döss Dr. Johannes Lattwein Lutz Meschke

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with Sec. 317 (3b) HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

Independent auditor's report

On completion of our audit, we issued an unqualified auditor's report dated 15 March 2023 in German language. The following text is a translation of this auditor's report. The German text is authoritative:

To Porsche Automobil Holding SE, Stuttgart

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of Porsche Automobil Holding SE, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Porsche Automobil Holding SE, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements we have not audited the content of the disclosures on the appropriateness and effectiveness of the risk management system and the internal control system contained in the subsection "Internal control system including internal control system of Porsche SE relevant for the financial reporting process" of the section "Risk management system of the Porsche SE Group" of the group management report as well as the disclosures contained in the subsection "Monitoring the effectiveness of the risk management system and the internal control system" of the section "Risk early warning system at Volkswagen" of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the disclosures referred to above in the subsection "Internal control system including internal control system of Porsche SE relevant for the financial reporting process" of the section "Risk management system of the Porsche SE Group" of the group management report as well as in the subsection "Monitoring the effectiveness of the risk management system and the internal control system" of the section "Risk early warning system at Volkswagen" of the group management report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Measurement of the investment in Volkswagen AG (including effects of diesel issue as well as the effects of the IPO of Dr. Ing. h.c. F. Porsche Aktiengesellschaft on the measurement of the investment in Volkswagen AG)

❷ Assessment of legal risks and their presentation in the consolidated financial statements

❸ Measurement of the investment in Dr. Ing. h.c. F. Porsche Aktiengesellschaft

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ **Measurement of the investment in Volkswagen AG (including effects of diesel issue as well as the effects of the IPO of Dr. Ing. H.c. F. Porsche Aktiengesellschaft on the measurement of the investment in Volkswagen AG)**

① In the consolidated financial statements of the Company, the investment in the associated Company Volkswagen AG is reported under the balance sheet line item “Investments accounted for at equity” at an amount of € 47.2 billion (80 % of total assets).

The acquisition by Porsche SE of 25% of the ordinary shares plus one ordinary share of Dr. Ing. h.c. F. Porsche Aktiengesellschaft gave rise to changes in the carrying amount of the investment in Volkswagen AG accounted for at equity, which were recognized in other comprehensive income and in profit or loss respectively. The change recognized in other comprehensive income relates primarily to the reduction in the investment in Dr. Ing. h.c. F. Porsche Aktiengesellschaft at the level of the Volkswagen Group as a result of the initial public offering, to the extent this is not attributable to the acquisition of the ordinary shares by Porsche SE. Profit or loss was impacted by the proportionate recognition of the intragroup profits eliminated in financial year 2012 upon contribution of the holding company operating business of Porsche SE to Volkswagen AG.

Furthermore, the at equity-accounted carrying amount was reduced by the acquisition of approximately 2.6 million preference shares of Volkswagen AG and the subsequent reclassification of approximately 2.7 million preference shares of Volkswagen AG in accordance with IFRS 5. The acquisition of the preference shares of Volkswagen AG resulted in an overall gain on initial measurement at equity. The classification as assets held for sale in accordance with IFRS 5 gave rise to an impairment in accordance with IAS 28 in conjunction with IFRS 5.

The investment in Volkswagen AG is a major asset of Porsche SE and, due to it being accounted for using the equity method through the proportionate result attributable to Porsche SE, has a significant influence on the Porsche SE Group's financial performance, financial position and assets and liabilities.

The assessment of the executive directors of Porsche SE regarding the recoverability of the shares in Volkswagen AG accounted for at equity are subject to high estimation and judgment uncertainties with regard to key measurement parameters as well as the assumptions made in the business plan.

The provisions recognized in the consolidated financial statements of Volkswagen AG as at 31 December 2022 for risks relating to the diesel issue are based on the knowledge of the executive directors of Volkswagen AG as presented. The provisions recognized in the Volkswagen Group for the diesel issue as well as the contingent liabilities disclosed and the other latent legal risks are in part subject to substantial estimation and judgement risks by the executive directors of Volkswagen AG given that the fact finding efforts have not yet been concluded, the complexity of the individual relevant factors and the ongoing coordination with the authorities.

Any lasting decreases in the profit stemming from efforts to contain the Covid-19 pandemic not being successful in the long term, supply shortages, a further escalation of the Russia-Ukraine conflict as well as further unexpected increase in the cost of mitigating the diesel issue might lead to an impairment in the value of the investment in Volkswagen AG.

Due to the significance of the risk provisioning at the level of Volkswagen AG as well as the scope of the assumptions and judgment decisions of the executive directors of Volkswagen AG, the change in the at equity-accounted carrying amount due to the acquisition of the ordinary shares of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, the acquisition of preference shares of Volkswagen AG and their subsequent reclassification in accordance with IFRS 5 and the resulting effects on the result of Porsche SE, this matter was of particular significance during our audit.

② As part of our audit, for the evaluation of the assessment of the recoverability of the carrying amount of the investment in Volkswagen AG made by the executive directors of Porsche SE, we initially examined the underlying process and its suitability for assessing the recoverability of the investment in Volkswagen AG. We included our valuation specialists in the audit to assess the valuation model and the valuation parameters used in terms of calculation and method used. We also assessed the business plan approved by the board of management and supervisory board of Volkswagen AG and compared key planning assumptions with external analysts' estimates. In this context, we have also evaluated the effects of efforts to contain the Covid-19 pandemic not being successful in the long term, the supply shortages for semiconductors as well as the effects of the Russia-Ukraine conflict. We also compared the business forecasts prepared in previous periods with the actual results in order to analyze the accuracy of the forecasts. We also assessed the determination of the risk-adjusted capitalization interest rate by analyzing the peer group, comparing market data with external evidence and examining the mathematical accuracy. In order to estimate any impairment risk associated with a reasonably possible change in one of the significant assumptions, we assessed the Company's sensitivity analyses.

With regard to the effects of a further unexpected increase in the cost of mitigating the diesel issue, efforts to contain the Covid-19 pandemic not being successful in the long term, the supply shortages for semiconductors as well as the effects of the Russia-Ukraine conflict on the result of Volkswagen AG and thus on the measurement of the result at Porsche SE accounted for at equity recorded during the current financial year, we accompanied the audit of Volkswagen's consolidated financial statements by its group auditor. In this regard, we sent audit instructions to the group auditor of Volkswagen AG, in which we provided guidelines on risk classification and the audit procedure, in particular in connection with risks regarding the diesel issue as well as the effects of the initial public offering of Dr. Ing. h.c. F. Porsche Aktiengesellschaft. Furthermore, we regularly obtained information about the current status of the audit in personal meetings and inspected the working papers of the group auditor.

Furthermore, we assessed the effects at the level of Porsche SE resulting from the acquisition of the ordinary shares of Dr. Ing. h.c. F. Porsche Aktiengesellschaft and those resulting from the acquisition and subsequent reclassification in accordance with IFRS 5 of the preference shares of Volkswagen AG. For this purpose, we evaluated the contractual agreements between the Volkswagen Group and Porsche SE. On that basis, we assessed whether the effects resulting from the acquisitions are accurately presented in the consolidated financial statements. We also assessed the completeness and accuracy of the disclosures required in the notes.

In our view, the assessments made by the executive directors are sufficiently documented and substantiated and represent an appropriate basis for the measurement of the investment in Volkswagen AG, taking into account the information available.

③ The accounting and measurement policies applied for the investment in Volkswagen AG and the associated disclosures on judgments of the executive directors regarding the assessment of the recoverability of the investment in Volkswagen AG are included in the notes to the consolidated financial statements in the section "Changes in the reporting period" as well as in sections "Accounting policies", "[1] Result from investments accounted for at equity" and "[9] Investments accounted for at equity" and in the group management report in the sections "Significant events and developments at the Porsche SE Group" and "Opportunities and risks of the Porsche SE Group".

❷ Assessment of legal risks and their presentation in the consolidated financial statements

① As an investment management holding Company, Porsche SE primarily holds the investment in Volkswagen AG. In connection with the expansion of the investment in Volkswagen AG and the diesel issue that became known at Volkswagen AG in September 2015, the Company is exposed to legal risks in the form of lawsuits filed directly against Porsche SE, which may lead to significant expenses and cash outflows for the Company in the event of negative outcome of the litigation.

The assessment of the likelihood of these legal risks occurring at the level of Porsche SE is subject to estimation and judgment uncertainties to a high degree.

Against this background, the assessment of these legal risks and their presentation in the consolidated financial statements was of particular significance during our audit.

② In evaluating the assessment of the legal risks carried out by the executive directors we first obtained an understanding of the process in order to identify which controls the Company's executive directors have implemented to recognize and asses risks at an early stage. In order to evaluate the assessment of the likelihood of legal risks occurring carried out by the executive directors of Porsche SE, we discussed the risks and the pending proceedings, taking into account the current developments in the reporting period, through discussions with the legal department, the member of the executive board responsible for legal affairs and compliance as well as representative of the law firms overseeing the proceedings. In this context, we involved legal experts in our audit and also obtained external letters of confirmation from attorneys. Furthermore, we assessed the Company's explanations in the notes to the consolidated financial statements.

We were able to follow the executive directors' assessment of the legal risks and consider their presentation in the consolidated financial statements to be appropriate.

③ The assessment of the legal risks by the executive directors is included in the notes to the consolidated financial statements in the sections "Accounting policies" and "[20] Contingent liabilities from legal disputes" and in the management report in the sections "Significant events and developments at Porsche SE Group" and "Opportunities and risks of the Porsche SE Group".

❸ Measurement of the investment in Dr. Ing. h.c. F. Porsche Aktiengesellschaft

① In the consolidated financial statements of the Company, the investment in the associated company Dr. Ing. h.c. F. Porsche Aktiengesellschaft is reported under the balance sheet line item "Investments accounted for at equity" at an amount of € 10.2 billion (17 % of total assets).

The investment in Dr. Ing. h.c. F. Porsche Aktiengesellschaft is a major asset of Porsche SE and, due to it being accounted for using the equity method through the proportionate result attributable to Porsche SE, has a significant influence on the Porsche SE Group's financial performance, financial position and assets and liabilities.

On 18 September 2022, Porsche SE announced that it had entered into an agreement with Porsche Holding Stuttgart GmbH (a wholly owned subsidiary of Volkswagen AG) with the involvement of Volkswagen AG, Wolfsburg (as guarantor) to purchase two tranches of shares amounting in total to 25% of the ordinary shares plus one ordinary share of Dr. Ing. h.c. F. Porsche Aktiengesellschaft in connection with the initial public offering of Dr. Ing. h.c. F. Porsche Aktiengesellschaft. The ordinary shares of Dr. Ing. h.c. F. Porsche Aktiengesellschaft are not listed.

The agreed purchase price per ordinary share amounted to €88.69, corresponding to the placement price of the preferred shares of Dr. Ing. h.c. F. Porsche Aktiengesellschaft under the IPO (€82.50) plus a premium of 7.5%. The total price for 25% plus one ordinary share of Dr. Ing. h.c. F. Porsche Aktiengesellschaft therefore amounts to €10.1 billion. The pricing of the preference shares of Dr. Ing. h.c. F. Porsche Aktiengesellschaft means that Porsche SE has been subject to the risk of changes in the value of its 25% plus one ordinary share investment in Dr. Ing. h.c. F. Porsche Aktiengesellschaft since 29 September 2022, and on that date recognized an at equity investment at cost in the amount of €10.1 billion.

Porsche SE has significant influence over Dr. Ing. h.c. F. Porsche Aktiengesellschaft within the meaning of IAS 28 by virtue of the presence of representatives of Porsche SE on the supervisory board of Dr. Ing. h.c. F. Porsche Aktiengesellschaft and the grant of protective rights in the shareholders' agreement between Volkswagen AG and Porsche SE.

The acquisition of the ordinary shares took place in two tranches. Closing of the transfer of the first tranche was contingent on the full placement of the preference shares in the IPO within the price range as well as on the book transfer of the placement shares against payment of the placement price. Closing, which occurred on 4 October 2022, coincided with the settlement of the purchase price liability of € 7.1 billion for the first tranche. Closing of the transfer of the second tranche of ordinary shares was contingent on the closing of the transfer of the first tranche and distribution of a special dividend of Volkswagen AG of 49% of the total gross proceeds from the placement of the preference shares (including any additional allocations) and the sale of the ordinary shares of Dr. Ing. h.c. F. Porsche Aktiengesellschaft. Porsche SE had the right unilaterally to waive this second closing condition and in this way initiate at any time an early transfer of the second tranche against payment of the purchase price. The voting rights associated with the ordinary shares under the second tranche had already been transferred to Porsche SE on delivery of the first tranche as of the date of the IPO.

Moreover, Porsche SE had the right to bring about the transfer of the second tranche as of 30 December 2022 without amending the due date of the purchase price as of the distribution date of the special dividend. To this end, a lien was to be granted over the ordinary shares of the second tranche to secure Volkswagen's purchase price receivable. Porsche SE exercised this right so that the material transfer of the second tranche was completed on 30 December 2022. The transaction resulted in Porsche SE having a purchase price obligation in an amount of € 3.0 billion as of 31 December 2022.

The extraordinary general meeting of Volkswagen AG on 16 December 2022 resolved to modify the regular divided resolution in the form of a dividend increase. The special dividend was distributed to the shareholders on 9 January 2023, of which € 3.1 billion was attributable to Porsche SE. No investment income tax was deducted. Consequently, there was a dividend claim of € 3.1 billion of Porsche SE against Volkswagen AG as of 31 December 2022.

Volkswagen AG and Porsche SE agreed to offset Porsche SE's claim to the dividend from Volkswagen AG against Porsche SE's obligation to pay the purchase price still outstanding for the second tranche of ordinary shares. The dividend claim and the purchase price liability are therefore presented on a net basis in the consolidated financial statements as of 31 December 2022.

In an ancillary calculation as part of the purchase price allocation, the fair value on initial recognition was offset against the proportionate share of the assets and liabilities recognized in the at equity-accounted carrying amount. Porsche SE engaged an external expert to conduct the purchase price allocation. Since the purchase price allocation required on acquisition of the ordinary shares of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the purpose of inclusion using the equity method had not yet been completed as of the date of preparing the consolidated financial statements, the net profit or loss attributable to Porsche SE from the investment in Dr. Ing. h.c. F. Porsche Aktiengesellschaft was calculated on a preliminary basis.

The assessment of the executive directors of Porsche SE regarding the recoverability of the shares in Dr. Ing. h.c. F. Porsche Aktiengesellschaft accounted for at equity are subject to high estimation and judgment uncertainties with regard to key measurement parameters as well as the assumptions made in the business plan.

Against this background and due to the significance of the effects of acquiring the ordinary shares of Dr. Ing. h.c. F. Porsche Aktiengesellschaft on the consolidated financial statements of Porsche SE, the assessment of the effects of the agreements entered into as part of the transaction in relation to significant influence over Dr. Ing. h.c. F. Porsche Aktiengesellschaft and the transfer of beneficial ownership of the ordinary shares under the second tranche, as well as the purchase price allocation, this matter was of particular significance in the context of our audit.

② We began by assessing the agreements entered into as part of the acquisition of the ordinary shares and gained an understanding of the individual transactions and of how the acquisition of the ordinary shares of Dr. Ing. h.c. F. Porsche Aktiengesellschaft was reported in the consolidated financial statements of Porsche SE.

On the basis of the agreements entered into between Porsche SE, Volkswagen AG and Porsche Holding Stuttgart GmbH, the articles of association of Dr. Ing. h.c. F. Porsche Aktiengesellschaft and other documents, we evaluated, with the involvement of specialists, the assessment made by Porsche SE regarding the existence of significant influence in accordance with the requirements of IAS 28. In this connection, we also evaluated, with the involvement of specialists, the assessment regarding the transfer to Porsche SE of the voting rights associated with the ordinary shares under the second tranche as of the date of the IPO of Dr. Ing. h.c. F. Porsche Aktiengesellschaft.

Furthermore, with the involvement of our valuation specialists, we assessed the appropriateness of the preliminary purchase price allocation as part of the initial measurement using the equity method, the material assumptions and the measurement methods.

We also assessed the transfer of title to the ordinary shares under the second tranche as of 30 December 2022 and the offsetting of Porsche SE's dividend claim against the purchase price liability for acquisition of the second tranche.

As part of our audit, we inquired the executive directors about whether or not there were indications of impairment of the investment in Dr. Ing. h.c. F. Porsche Aktiengesellschaft, and assessed their statements made and the information obtained on the basis of our knowledge of the Dr. Ing. h.c. F. Porsche Aktiengesellschaft Group's legal and economic environment.

We concluded by assessing whether the disclosures made in the notes to the consolidated financial statements in respect of the acquisition of the ordinary shares of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, including the presentation of the underlying agreements, complied with the requirements of the IFRSs.

With regard to the effects of a containment of the COVID pandemic not being successful in the long term, the supply shortages for semiconductors as well as a further escalation in the Russia-Ukraine conflict on the current net profit of Dr. Ing. h.c. F. Porsche Aktiengesellschaft and consequently on the measurement of the at equity-accounted net profit recognized at Porsche SE in the current financial year, we coordinated with the auditor responsible for the audit of the consolidated financial statements of Dr. Ing. h.c. F. Porsche Aktiengesellschaft. For this purpose we sent audit instructions to the auditor of the consolidated financial statements of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, in which we made specifications about risk classification and the audit approach. We also held regular face-to-face meetings to obtain updates on the audit and reviewed the working papers of the auditor of the consolidated financial statements.

In our view, the assessments made by the executive directors are sufficiently documented and substantiated and represent an appropriate basis for the measurement of the investment in Dr. Ing. h.c. F. Porsche Aktiengesellschaft, taking into account the information available.

③ The accounting and measurement policies applied for the investment in Dr. Ing. h.c. F. Porsche Aktiengesellschaft and the associated disclosures on judgments of the executive directors regarding the assessment of the recoverability of the investment in Dr. Ing. h.c. F. Porsche Aktiengesellschaft are included in the notes to the consolidated financial statements in the section "Changes in the reporting period" as well as in the sections "Accounting policies", "[1] Result from investments accounted for at equity" and "[9] Investments accounted for at equity" and in the group management report in the sections "Significant events and developments at the Porsche SE Group" and "Opportunities and risks of the Porsche SE Group".

Other Information

The executive directors are responsible for the other information. The other information comprises the disclosures on the appropriateness and effectiveness of the risk management system and the internal control system contained in the subsection "Internal control system including internal control system of Porsche SE relevant for the financial reporting process" of the section "Risk management system of the Porsche SE Group" of the group management report as well as the disclosures contained in the subsection "Monitoring the effectiveness of the risk management system and the internal control system" of the section "Risk early warning system at Volkswagen" of the group management report as unaudited parts of the group management report.

The other information comprises in addition

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the separate non-financial group report to comply with §§ 315b to 315c HGB
- the remuneration report pursuant to § 162 AktG [Aktiengesetz: German Stock Corporation Act], for which the supervisory board is also responsible
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file Porsche_SE_KA+KLB_ESEF-2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 13 May 2022. We were engaged by the supervisory board on 23 September 2022. We have been the group auditor of the Porsche Automobil Holding SE, Stuttgart, without interruption since the financial year 2020.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to another matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Jürgen Berghaus.

Stuttgart, 15 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Frank Hübner	Jürgen Berghaus
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility statement

We assure to the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report, which has been combined with the management report of Porsche SE, includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Stuttgart, 15 March 2023

Porsche Automobil Holding SE The board of management

Hans Dieter Pötsch Dr. Manfred Döss Dr. Johannes Lattwein Lutz Meschke

Imprint

Editor
Porsche Automobil Holding SE, Stuttgart

Photography
Claudia Kempf, Wuppertal

Dr. Ing. h.c. F. Porsche AG, Stuttgart
Volkswagen AG, Wolfsburg
AUDI AG, Ingolstadt
SEAT S.A., Martorell, Spain
ŠKODA AUTO a.s., Mladá Boleslav, Czech Republic
Bentley Motors Ltd, Crewe, Great Britain
Automobili Lamborghini S.p.A.,
Sant'Agata Bolognese, Italy
Ducati Motor Holding S.p.A, Bologna, Italy
Scania AB, Södertälje, Sweden
MAN Truck & Bus AG, München

Creative conception
Simone Leonhardt, Frankfurt am Main

Total production
IThaus Münster GmbH & Co. KG, Kornwestheim

Inhouse produced with FIRE.sys

This annual report 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.

Financial calendar

23 March 2023
Annual Press and Analyst Conference

15 May 2023
Group quarterly statement 1st Quarter 2023

30 June 2023
Annual General Meeting 2023

8 August 2023
Half-yearly financial report 2023

13 November 2023
Group quarterly statement 3rd Quarter 2023

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