PORSCHE SE

Half-yearly financial report

1 January – 30 June

2022

Investments of Porsche SE

PORSCHE AUTOMOBIL HOLDING SE

Core Investment

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

VOLKSWAGEN
AKTIENGESELLSCHAFT

Portfolio Investments

European Transport Solutions S.à r.l.

Stake of subscribed capital: 39.9 %

PTV GROUP
ECONOLITE

INRIX
Markforged
SEURAT
AEVA

AURORALABS
isar aerospace
proteanTecs

Status 30 June 2022

Content

Interim group management report

1 January – 30 June 2022

Porsche Automobil Holding SE ("Porsche SE" or the "company"), as the ultimate parent of the Porsche SE Group, is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. As of 30 June 2022, the Porsche SE Group had 35 employees (882 employees). In addition to employees at Porsche SE, the comparative figure as of 31 December 2021 also includes employees at PTV Planung Transport Verkehr GmbH, Karlsruhe ("PTV"), with its subsidiaries (together the "PTV Group").

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., Dr. Ing. h.c. F. Porsche AG ("Porsche AG"), TRATON SE ("TRATON"), Volkswagen Financial Services AG, Volkswagen Bank GmbH as well as in numerous other companies in Germany and abroad.

In addition to the investment in Volkswagen AG, the Porsche SE Group holds non-controlling interests in nine technology companies based in Germany, Israel, Canada, Luxembourg and the USA.

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

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

Significant events and developments at the Porsche SE Group

Significant events and developments at the Porsche SE Group are presented in the following. The explanations refer to events and developments in the second quarter of the fiscal year 2022, unless reference is made in this section to another time period.

Covid-19 pandemic

The global spread of the Omicron variant of coronavirus SARS-CoV-2 had a substantial impact on social and economic life in the reporting period in some regions. In China in particular, local infection outbreaks during the first half of 2022 led to tight restrictions under the zero-Covid strategy being pursued there, resulting in economic damage and disruption to international supply chains.

Russia-Ukraine conflict

In the first six months of 2022, the Russia-Ukraine conflict led to a humanitarian crisis and global market upheaval. There are significant price rises, particularly on the energy and commodity markets, and significant increases in 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 an extensive trade embargo to the exclusion of Russia from the global financial system.

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

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

The group result after tax and non-controlling interests of the Volkswagen Group increased to €10.3 billion in the first half of 2022 compared to €8.1 billion in the prior-year period. From January to June 2022, negative special items in connection with the diesel issue affected the operating result in an amount of €0.4 billion (€0.0 billion). They largely result from additional expenses for legal risks. Please also refer to sections “Business development” and “Results of operations of the Volkswagen Group”.

As of 30 June 2022, there was no need to recognize an impairment loss on the basis of the earnings forecasts for the investment in Volkswagen AG accounted for at equity. However, an impairment in the carrying amount of the investment cannot be ruled out, particularly in the event of any sustained decline in earnings, for example due to the effects of the Covid-19 pandemic, shortages of intermediates, in particular semiconductors, and commodities, the Russia-Ukraine conflict and/or a further increase in the costs of mitigating the diesel issue. This may also have consequences for the dividend policy of Volkswagen AG and therefore for the cash inflows at the level of Porsche SE. Please refer to the explanations in the section "Opportunities and risks of future development" in the combined management report for the fiscal year 2021.

Porsche SE acquires preference shares in Volkswagen AG

In the period from 29 March 2022 to 6 May 2022, Porsche SE acquired preference shares in Volkswagen AG for around €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 in Volkswagen AG remains unchanged at 53.3%.

As a financing component for a possible acquisition of ordinary shares in Porsche AG, on 24 June 2022 the supervisory board of Porsche SE approved a sales plan of up to 2.7 million preference shares in Volkswagen AG. The sale is to take place at the earliest following a possible initial public offering ("IPO") of Porsche AG.

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

Acquisition of Econolite Group

At the beginning of June 2022, the indirect acquisition of all shares in Econolite Group, Inc., Anaheim, USA ("Econolite"), was completed by European Transport Solutions S.à r.l., Luxembourg, Luxembourg ("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 participated in the business operations of ETS with a non-controlling interest of around 10%, initially via a subsidiary of ETS. As the transaction proceeds, the plan is for this interest to be replaced by a direct investment in ETS of the same amount, reducing Porsche SE's stake in ETS to around 35.5% after the reporting date.

Annual general meeting

Porsche SE held its annual general meeting virtually on 13 May 2022. Among other things, it was resolved to distribute a dividend of €2.56 (€2.21) per preference share and €2.554 (€2.204) per ordinary share. This resulted in a total payout of €783 million (€676 million), an increase of around 16%.

The members of the board of management and those of the supervisory board holding office in the fiscal year 2021 were exonerated. Furthermore, the shareholders re-elected four supervisory board members, 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.

Possible IPO of Porsche AG

On 24 February 2022, Porsche SE announced that the board of management of Porsche SE had resolved, with the approval of the supervisory board, to further examine the feasibility of a possible IPO of Porsche AG on the basis of talks held to date with Volkswagen AG and to support it in principle. Porsche SE and Volkswagen AG entered into a cornerstone agreement, which summarizes the content of the talks held to date and forms a basis for the next steps of preparation for a possible IPO. The actual feasibility of an IPO depends on a number of different parameters as well as general market conditions. No final decisions have been made. Moreover, the agreements in the cornerstone agreement for a possible IPO are subject to numerous conditions, including the final approval of the boards of both parties.

According to the current status of the talks, in the event of an IPO, the share capital of Porsche AG would be divided into 50% ordinary shares and 50% preference shares and, in the course of a possible IPO, approximately 25% of the preference shares would be placed on the capital market. In connection with a possible IPO, Porsche SE would acquire 25% plus one share of the ordinary shares of Porsche AG from Volkswagen AG for the placement price of the preference shares plus an additional premium of 7.5%. There is no intention to list the ordinary shares on the stock exchange. With the positive support of a possible IPO of Porsche AG, Porsche SE is supporting the plans of Volkswagen AG to expand the financial flexibility of Volkswagen AG and increase the entrepreneurial opportunities of Porsche AG. Volkswagen AG would still include Porsche AG in its consolidated financial statements by way of full consolidation following the implementation of an IPO, while in the future Porsche SE would include the shares in Porsche AG in the consolidated financial statements of Porsche SE as associate at equity. It is also planned to continue the industrial cooperation between Volkswagen AG and Porsche AG even after a possible IPO.

The parties have further agreed that, in the event of an IPO of Porsche AG, Volkswagen AG will propose to its shareholders to pay out a special dividend equivalent to 49% of the total gross proceeds of the placement of the preference shares and the sale of the ordinary shares. Such a proposal of a special dividend will be approved by Porsche SE.

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

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

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

A model case according to the Capital Markets Model Case Act (KapMuG) against Porsche SE initiated by an order of reference of the Regional Court of Hanover dated 13 April 2016 is pending with the Higher Regional Court of Celle. Subject of those actions are alleged damage claims based on alleged market manipulation and alleged inaccurate information in connection with Porsche SE's increase of the investment in Volkswagen AG. In part these claims are also based on alleged violations of antitrust regulations. In the six initial proceedings suspended with reference to the model case, a total of 40 plaintiffs are asserting alleged claims for damages of about €5.4 billion (plus interest). Since the beginning of the model case, several hearings have already been held before the Higher Regional Court of Celle, in which the court, inter alia, explained its preliminary view on the state of affairs and of the dispute. After the most recent hearing on 23 May 2022, the Higher Regional Court of Celle set the date of delivery of a decision for 30 September 2022. Porsche SE is of the opinion that the claims asserted in the suspended initial proceedings are without merit and that the requested establishment objectives in the model case will be rejected. Porsche SE considers its opinion endorsed by the previous development of the oral hearing before the Higher Regional Court of Celle.

In a proceeding pending before the Regional Court of Frankfurt against an incumbent and a former, meanwhile deceased, member of the supervisory board of Porsche SE, Porsche SE joined as intervener in support of the defendants. In this proceeding the same alleged claims are asserted that are already subject of a currently suspended action concerning alleged damages of about €1.8 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.

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. Porsche SE considers the action filed in England to be inadmissible and the asserted claims to be without merit.

Legal proceedings and legal risks in connection with the diesel issue

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

Before the Regional Court of Stuttgart 208 actions are currently pending at first instance. The actions pending at first instance concern payment of damages, if quantified, in the total amount of approximately €790 million (plus interest) and in part establishment of liability for damages. 20 claims for damages against Porsche SE, with a claim volume (according to the current assessment of the partially unclear head of claims) of approximately €10 million (plus interest), are pending before the Regional Court of Braunschweig. A number of the proceedings pending before the Regional Court of Stuttgart and the Regional Court of Braunschweig are currently suspended with reference to the KapMuG proceedings pending before the Higher Regional Court of Stuttgart and the Higher Regional Court of Braunschweig. Porsche SE considers the actions filed against it before the Regional Court of Stuttgart to be without merit. The actions filed against Porsche SE before the Regional Court of Braunschweig are considered by Porsche SE to be inadmissible and to be without merit.

In addition, two further proceedings, in which a total of further approximately €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 decision of 12 April 2022 in its full amount for lack of a damage. Leave to appeal on points of law (Revision) against the decision has not been granted. Porsche SE has not been notified of any appeal against denial of leave to appeal (Nichtzulassungsbeschwerde) that has been filed. Porsche SE applied for a certificate confirming that the decision is final and binding (Rechtskraftzeugnis) in order to gain certainty as regards the final and binding effect of the decision. As long as that certificate has not been issued, the decision will continue to be considered as non-binding.

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. Until now, four oral hearings have taken place before the Higher Regional Court of Stuttgart. Further oral hearings are currently not determined. After the most recent hearing on 13 July 2022, the Higher Regional Court of Stuttgart set the date of delivery of a decision for 28 September 2022. At that date, the Higher Regional Court of Stuttgart might issue a model case decision. It is also possible that the Higher Regional Court of Stuttgart will decide on applications for extensions filed by the plaintiffs that have not yet been decided, will issue an order to take evidence or that it will issue information regarding its preliminary legal position or regarding the further conduct of the proceedings.

Following corresponding orders to suspend the proceedings by the Regional Court of Braunschweig and the courts of Stuttgart, Porsche SE became a further model case defendant in the model case proceedings before the Higher Regional Court of Braunschweig. The Higher Regional Court of Braunschweig issued a meanwhile binding partial model case ruling regarding questions of jurisdiction. Several oral hearings have taken place before the Higher Regional Court of Braunschweig. The next oral hearing is set to take place on 13 September 2022.

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

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 (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. Porsche SE considers this application to be inadmissible and without merit.

Significant events and developments at the Volkswagen Group

In the second quarter of fiscal year 2022, the following significant events and developments arose at the Volkswagen Group:

Covid-19 pandemic / supply shortages

The global spread of the Omicron variant of coronavirus SARS-CoV-2 had a substantial impact on social and economic life in the reporting period in some regions. In China in particular, local infection outbreaks during the first half of 2022 led to tight restrictions under the zero-Covid strategy being pursued there, resulting in economic damage and disruption to international supply chains.

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

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

Russia-Ukraine conflict

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 are significant price rises, particularly on the energy and commodity markets, and significant increases in 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 could potentially lead to impairment risks to existing leased 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 parts supplies and the provision of technical information. To date, only an insignificant number of complaints has been received from customers, service providers, or other contract partners of the Volkswagen Group about any non-fulfillment of contracts in Russia. It is not clear at present for the Volkswagen Group how the situation will develop further.

For further details, please refer to the sections “Results of operations of the Volkswagen Group”, “Opportunities and risks of the Volkswagen Group” and “Anticipated development of the Volkswagen Group”.

Partnerships

Volkswagen and bp announced in April 2022 that they would form a strategic partnership for the rapid roll-out of fast-charging stations for electric vehicles in Europe. These are flexible, battery-based charging stations that can be installed quickly as they do not require a high-power grid connection and can be connected directly to a low-voltage network. The two partners have set themselves the goal of improving access to charging facilities for electric vehicles in the most important European markets as a way of driving the transition to e-mobility. bp’s charging network is to be integrated into the navigation systems of several group brands to allow drivers to easily find the nearest charging station. The first charging station went live in Düsseldorf at the end of April 2022. There are plans for up to 4,000 stations, each with two charging points, across Europe by the end of 2024.

The Volkswagen Group and India’s Mahindra Group signed a cooperation agreement in May 2022 to evaluate the extent of future cooperative endeavors. This includes, among other things, investigating ways of using components from Volkswagen’s modular electric drive toolkit (“MEB”), for example in electric motors and battery cells, in Mahindra vehicles. The joint objective of the two companies is to drive the electrification of the Indian automotive market. The MEB, which was designed as an open vehicle platform, and its components allow manufacturers to electrify their model ranges quickly and in a way that is cost-effective. The MEB is already used by group brands such as Volkswagen passenger cars, Audi, ŠKODA and SEAT/CUPRA as well as by external partners.

Takeover of Europcar

In 2021, together with the 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 (“Europe Mobility Group” or “Europcar”), through the consortium company Green Mobility Holding S.A. (“GMH”). The European Commission issued final antitrust approval at the end of May 2022. In total, 93.6% of Europcar shareholders took the opportunity granted by the French financial market supervisory authority to tender their shares to the consortium company. 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. As a result, the consortium company – of which Volkswagen holds 66% – has held 100% of the shares in Europcar since 13 July 2022. 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. The company, in which Volkswagen holds 66% of the shares, will be accounted for in the Volkswagen consolidated financial statements using the equity method. 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 measurement of the options led to a non-cash gain of €7 million in the first half of 2022, which was recognized in the financial result of the Volkswagen Group.

Strategic partnership between Electrify America and Siemens

Siemens has become the first external investor to acquire a minority interest in Electrify America, a subsidiary of Volkswagen Group of America. The company, which operates the largest public fast-charging network for customers of all electric vehicles in North America, intends to more than double its local charging infrastructure. In addition to the financial investment, Electrify America has gained an important strategic technology partner in Siemens.

Business development

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

General economic development

The 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 an extensive trade embargo to the exclusion of Russia from the global financial system. The resulting higher commodity prices and supply shortages are reinforcing the threat of persistently high inflation.

In the first half of 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 by many countries in administering vaccines to their populations had a positive effect, while the emergence of the new Omicron variant and its subvariants led to renewed sharp rises in infections on a national scale, mostly causing milder symptoms but increased rates of sick leave.

Following the slump in global economic output in 2020 and the incipient recovery due to base and catch-up effects in 2021, economic growth in both the advanced economies and the emerging markets remained on course for recovery on average, albeit with diminishing momentum. At national level, developments in the reporting period 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, and, on the other, 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 resulting recession fears caused major losses on key stock markets in the first half of the year. On average, prices for energy and many other commodities rose significantly year on year and shortages of intermediates and commodities remained high. Global trade in goods increased in the reporting period.

Trends in the markets for passenger cars and light commercial vehicles

Between January and June 2022, the volume of the passenger car market worldwide significantly declined overall year on year (down 10.1%), impacted primarily by bottlenecks and disruption in the global supply chains as a consequence of the semiconductor shortage, the coronavirus pandemic and the repercussions of the Russia-Ukraine conflict. The overall market of the Africa region posted an increase; all other sales regions were affected by losses. The Western Europe and North America regions recorded a considerably weaker sales volume. The South America and Asia-Pacific regions saw a below-average decline in new registrations, while the number of new registrations in the Middle East region was at the level of the prior year. Sales volume fell very sharply in Central and Eastern Europe.

The global volume of new registrations of light commercial vehicles between January and June 2022 was distinctly lower than the prior-year level.

Trends in the markets for commercial vehicles

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

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was slightly lower in the reporting period than in the prior year. Truck markets globally were much weaker than in the prior year, which was primarily due to the fall in demand on the Chinese market as a result of the zero-Covid strategy in place there.

In the first six months of 2022, there was a moderate rise in demand overall in the bus markets that are relevant for the Volkswagen Group compared with the same period of the prior year.

Trends in the markets for financial services

Demand for automotive financial services was buoyant in the first half of 2022 due, among other things, to the persistently low key interest rates in the main currency areas. Nevertheless, the Covid-19 pandemic and the vehicle availability, which continued to be limited due to parts supply shortages, put pressure on the demand for financial services in almost all regions.

Volkswagen Group deliveries

The Volkswagen Group delivered 3.9 million vehicles to customers worldwide in the first half of 2022. This was 22.2% or 1.1 million units less than in the same period of the prior year. While sales figures for the passenger cars business area fell short of the prior-year figure, sales in the commercial vehicles business area were higher than in the prior year. It is important to note that Navistar was not included in the figure for the prior year because it was only integrated as of 1 July 2021.

Sales of Volkswagen Group passenger cars and light commercial vehicles worldwide in the first half of 2022 declined by 23.0% year on year to 3.7 million units. 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 in some regions. From late February 2022 onwards, the Russia-Ukraine conflict also created further parts supply shortages and greater uncertainty in the markets. None of the Volkswagen Group brands, except Lamborghini and Bentley, reached their prior-year figures. Volkswagen registered a year-on-year decline in sales in all regions.

The Volkswagen Group's sales figures responded positively to its e-mobility campaign with additional model launches; in the first half of this year, Volkswagen delivered 217 thousand all-electric vehicles to customers worldwide. This was 46 thousand, or 27.0%, more units than in the same period of the prior year. The share of the Volkswagen Group's total deliveries rose to 5.6% (3.4%). A total of 106 thousand plug-in hybrid models were delivered (down 38.5%). Total electric vehicle deliveries declined by 5.9%, with their share of total group deliveries rising year on year to 8.3% (6.9%).

In an overall global market experiencing a significant decline, Volkswagen achieved a passenger car market share of 10.7% (12.5%).

Between January and June 2022, the Volkswagen Group delivered 8.6% more commercial vehicles to customers worldwide than in the same period of the prior year. Volkswagen delivered a total of 137 thousand commercial vehicles to customers in the first half of this year.

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

	2022	2021	Change %
Regions			
Europe/Other markets	1,656,068	2,211,551	−25.1
North America	401,785	493,325	−18.6
South America	193,295	275,978	−30.0
Asia-Pacific	1,623,967	1,997,701	−18.7
Worldwide	**3,875,115**	**4,978,555**	**−22.2**
by brands			
Volkswagen passenger cars	2,076,061	2,703,241	−23.2
ŠKODA	360,559	515,277	−30.0
SEAT	204,122	281,129	−27.4
Volkswagen commercial vehicles	153,630	205,028	−25.1
Audi	785,099	981,681	−20.0
Lamborghini	5,090	4,852	4.9
Bentley	7,398	7,199	2.8
Porsche	145,860	153,656	−5.1
Bugatti[2]		40	−100.0
Passenger cars and light commercial vehicles total	**3,737,819**	**4,852,103**	**−23.0**
Scania	36,834	49,229	−25.2
MAN[3]	34,785	47,231	−26.4
Navistar	37,333		
Volkswagen Truck & Bus[3]	28,344	29,992	−5.5
Commercial vehicles total	**137,296**	**126,452**	**8.6**

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 Deliveries for Volkswagen Truck & Bus were previously reported within MAN.

Sales, production and inventories at the Volkswagen Group

In the first half of 2022, the Volkswagen Group's unit sales to the dealer organization[1] declined year on year by 14.0% to 4.0 million vehicles (including the equity-accounted companies in China). 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. At 3.5 million vehicles, unit sales outside Germany declined by 14.3% compared with the period from January to June 2021. China, the United Kingdom and Brazil were particularly affected, as was Russia, where vehicle exports were halted. By contrast, India and Mexico saw growth. Unit sales in Germany decreased by 11.8% year on year. Vehicles sold in Germany as a proportion of overall sales increased to 12.1% (11.8%).

In the reporting period, the Volkswagen Group produced 4.2 million vehicles (including the equity-accounted companies in China), 7.8% less than in the same period of the prior year. The shortage of semiconductors and the disruption of supply chains caused by the Russia-Ukraine conflict and the Covid-19 pandemic led to production being halted in the Volkswagen Group. Against the backdrop of the Russia-Ukraine conflict and the resulting consequences, Volkswagen decided to cease vehicle production in Russia until further notice.

Between January and June 2022, production outside Germany decreased by 6.7% year on year, giving a total of 3.4 million vehicles. The proportion of vehicles produced in Germany decreased to 18.9% (19.9%).

Global inventories of new vehicles at Volkswagen Group companies and in the dealer organization were higher on 30 June 2022 than at year-end 2021, and above the corresponding prior-year figure. Disruptions in logistics, among other factors, had a negative impact in the reporting period.

Volkswagen Group financial services

The financial services division's products and services were popular in the first half of 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 8.3% to 4.2 million. The ratio of leased and financed vehicles to Volkswagen Group deliveries (penetration rate) in the financial services division's markets stood at 33.1% (36.1%) in the reporting period. The total number of contracts was 24.5 million (24.5 million) at the end of June 2022.

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

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

In the following explanations, the significant results of operations as well as the financial position and net assets of the Porsche SE Group are presented for the first six months of the fiscal year 2022 and as of 30 June 2022. While the prior-year figures for the results of operations relate to the period from 1 January to 30 June 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 investment" and "portfolio investments". The segment core investment comprises the long-term core investment in Volkswagen 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 shares in PTV, it was deconsolidated at the beginning of January 2022. The shares in ETS acquired in this context, which since then indirectly holds all shares in PTV, are accounted for at equity and allocated to the portfolio investments segment.

Results of operations of the Porsche SE Group

The Porsche SE Group's result after tax came to €3,239 million (€2,464 million) in the first half of the fiscal year 2022. Of this, €3,143 million (€2,467 million) related to continuing operations and €96 million (minus €3 million) to discontinued operations. In turn, of the result after tax from continuing operations, €3,112 million (€2,475 million) relates to the core investment segment and €31 million (minus €9 million) to the portfolio investments segment.

The result after tax in the core investment segment was significantly influenced by the result from the investment in Volkswagen accounted for at equity of €3,104 million (€2,514 million). This contains profit contributions from ongoing at equity accounting before purchase price allocations of €3,250 million (€2,544 million) as well as subsequent effects from purchase price allocations of minus €38 million (minus €30 million). The increase in the result from investments accounted for at equity is mainly attributable to the positive development in the result at the level of the Volkswagen Group, which is largely associated with positive effects from the price positioning, the product mix as well as the fair value measurement of derivatives to which hedge accounting is not applied (see the section "Results of operations of the Volkswagen Group" below). Furthermore, the result from the investment in Volkswagen accounted for at equity contains positive effects from the recognition of a preliminary gain from a bargain purchase due to a preliminary purchase price allocation in connection with the acquisition of preference shares in the reporting period as well as negative effects due to the reclassification of around 2.7 million preference shares pursuant to IFRS 5 from their measurement at share price (see the section “Significant events and developments at the Porsche SE Group”) at a net amount of minus €108 million.

Other operating income, personnel expenses and amortization and depreciation in the core investment segment virtually match the amounts for the group as a whole and are more or less unchanged compared to the prior year. Other operating expenses decreased in the core investment segment largely due to lower expenses year on year in connection with legal risks to a total of €12 million (€24 million).

The financial result of minus €2 million (minus €4 million) largely contains commitment fees and other finance costs. In the comparative period, it also included expenses from expected interest payments for taxes from prior years.

The income tax income of €29 million (income tax expense of €3 million) largely comprises deferred tax income of €29 million (€1 million). In the prior year, this had included an expense from current income taxes of €4 million as a result of expected tax backpayments for past fiscal years.

The financial result and income tax income of the core investment segment virtually match the figures of the Porsche SE Group.

The result after tax from continuing operations in the portfolio investment segment largely corresponds to its result from investments, which contains the result from investments accounted for at equity of €28 million (€0 million) as well as income of €12 million (€11 million) and expenses of €9 million (€21 million) from the fair value measurement of portfolio companies. The result from investments accounted for at equity contains income of €33 million from a write-up of the investment in INRIX Inc., Kirkland, USA.

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

Other comprehensive income of the Porsche SE Group of €4,026 million (€1,672 million) mainly contains effects resulting from the investment in Volkswagen AG accounted for at equity that largely relate to actuarial gains from the remeasurement of pension provisions of €3,194 million (€1,054 million) and to currency translation of €884 million (€472 million), in both cases taking deferred taxes into account.

Financial position of the Porsche SE Group

Cash inflow from operating activities amounted to €858 million (cash outflow: €14 million) in the reporting period and largely contains the net dividend received from the investment in Volkswagen AG of €884 million. Due to change in the law, the gross dividend of €1,201 million allocable to Porsche SE is subject to a deduction of withholding tax on investment income including solidarity surcharge of 26.375% or €317 million, which will not lead to corresponding tax refunds until subsequent years. In the prior year, however, the dividend payment of Volkswagen AG was not carried out until the second half of the year and was therefore not yet included in the comparative figures. Offsetting this, both the reporting and the comparative period include in particular cash outflows for operating expenses relating to holding activities.

In the first six months of the fiscal year 2022, investing activities resulted in a cash outflow of €308 million, while there was a cash inflow of €42 million in the prior-year comparative period. The cash outflow in the reporting period is largely attributable to cash paid for acquiring additional preference shares in Volkswagen AG of €400 million and for participating in a capital increase of ETS of €35 million as well as in subsequent financing rounds at portfolio investments of €5 million (€4 million). There were also investments of time deposits of €55 million (€8 million) as well as securities of €15 million (minus €9 million). This was offset by cash received from the sale of shares 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 as well as cash received from the sale of shares in portfolio investments of €2 million (€45 million).

There was a cash outflow from financing activities totaling €783 million (€3 million) in the first half of 2022, largely due to dividend payments made to the shareholders of Porsche SE. In the comparative period, dividends had not yet been paid out to the shareholders.

Cash and cash equivalents decreased to €64 million (€271 million) compared to 31 December 2021.

Net liquidity of the Porsche SE Group, i.e., cash and cash equivalents, time deposits and securities less financial liabilities, decreased to €504 million (€641 million) compared to 31 December 2021.

Net assets of the Porsche SE Group

Compared to 31 December 2021, the Porsche SE Group's total assets increased by €6.4 billion to €48.9 billion as of 30 June 2022.

The Porsche SE Group's non-current assets of €47.8 billion (€41.6 billion) primarily relate to the investments accounted for at equity. These include in particular the carrying amount of the investment in Volkswagen AG accounted for at equity, which increased by €6.0 billion to €47.6 billion. Of the increase in the carrying amount, €3,250 million is attributable to the result from ongoing equity accounting, minus €38 million to effects from the subsequent measurement of the hidden reserves and liabilities identified and €4,076 million to expenses and income recognized in other comprehensive income. Effects recognized in other comprehensive income result primarily from positive effects from the measurement of pensions as well as from currency translation at the level of the Volkswagen Group. There were also adjustments to equity not recognized through total comprehensive income at the level of the Volkswagen Group, which had the effect of increasing the carrying amount by €4 million. On the other hand, dividends of minus €1,201 million as well as effects from the acquisition of around 2.6 million preference shares carried out in the reporting period and the subsequent reclassification of around 2.7 million preference shares pursuant to IFRS 5 totaling minus €51 million reduced the carrying amount accounted for at equity.

The investments accounted for at equity also include the carrying amount of the investment in ETS of €113 million as well as the investment in INRIX of €38 million (€6 million).

Non-current other financial assets of €51 million (€45 million) contain shares in portfolio investments.

Current assets of €1,171 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 €321 million largely relate to tax withheld on investment income for dividend payments of €317 million received from Volkswagen AG. As of 30 June 2022, the item “Assets classified as held for sale” comprises around 2.7 million preference shares in Volkswagen AG (see the section “Significant events and developments at the Porsche SE Group”). As of 31 December 2021, this had included the assets previously allocated to the PTV Group.

The equity of the Porsche SE Group increased to a total of €48.7 billion (€42.2 billion) due to the positive total comprehensive income as of 30 June 2022. The equity ratio of 99.5% (99.2%) increased compared to the end of the fiscal year 2021.

Results of operations of the Volkswagen Group

The following statements relate to the original profit/loss figures of the Volkswagen Group in the first half of 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 first half of 2022, the Volkswagen Group’s revenue, which amounted to €132.3 billion (€129.7 billion), was slightly above the prior-year level. Improved price positioning, positive mix and exchange rate effects and the good business performance of the financial services division were set against the fact that vehicle availability continued to be limited due to parts supply shortages. Consolidated revenue includes an amount of €4.7 billion relating to Navistar; Navistar has been included in consolidation since 1 July 2021. In the period from January to June 2022, the Volkswagen Group generated 82.2% (82.5%) of its revenue abroad. Gross profit (revenue less cost of sales) was up at €26.5 billion (€24.8 billion), while the gross margin improved to 20.0% (19.2%).

The Volkswagen Group's operating result before special items rose by €1.8 billion to €13.2 billion in the reporting period. The operating return on sales before special items increased to 10.0% (8.8%). Positive effects resulted mainly from the price positioning, the mix and the fair value measurement and realization of derivatives to which hedge accounting is not applied (especially commodity and currency hedges) in an amount of €1.6 billion (€1.2 billion). The financial services division's good business performance and positive effects from derivatives in the financial services division contributed to higher group earnings. These factors were offset in the first half of 2022 by expenses in the mid-three-digit million euro range relating to loss allowances and risk provisions as a consequence of the direct impact of the Russia-Ukraine conflict, as well as higher product costs, especially for commodities. In the period from January to June 2022, 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 for restructuring measures had been recognized in the commercial vehicles business area. In the reporting period, special items in connection with the diesel issue reduced the operating result by minus €0.4 billion. In the first six months of 2022, the Volkswagen Group's operating result increased by a total of €1.5 billion to €12.8 billion, and the operating return on sales improved to 9.7% (8.8%).

The financial result stood at €1.2 billion (minus €0.2 billion). The share of the result of equity-accounted investments was higher than a year earlier. The interest expenses included in the financial result decreased by €0.9 billion due to measurement-related factors resulting primarily from a change in the discount rates used in the measurement of provisions. In the other financial result, changes in share prices, mainly as a result of the Russia-Ukraine conflict, weighed on net income from securities and funds; this was set against favorable exchange rate effects. The prior year had also been negatively impacted by measurement effects on forward purchase agreements for new shares in QuantumScape.

The Volkswagen Group's result before tax increased by €2.9 billion to €14.0 billion in the period from January to June 2022. Earnings after tax amounted to €10.6 billion, €2.2 billion up on the prior-year value.

Opportunities and risks of future development

Opportunities and risks of the Porsche SE Group

Regarding the risk areas and their risk assessments presented in the report on opportunities and risks at the Porsche SE Group in the combined group management report for the fiscal year 2021, taking into account the updated forecast corridor for net liquidity there has been one change with regard to the likelihood of occurrence for the risk area “Result contribution portfolio investments”. The likelihood of occurrence has now been categorized as unlikely (moderately likely) given the positive development in the result in the portfolio investments segment in light of the write-up of the investment in INRIX. For the current status of the legal proceedings of Porsche SE and for current developments, reference is made to the section “Significant events and developments at the Porsche SE Group” in this half-yearly financial report.

Opportunities and risks of the Volkswagen Group

The following is based on extracts from the report on expected developments, risks and opportunities in the half-yearly financial report 2022 of Volkswagen AG.

As a result of the Russia-Ukraine conflict and the spread of the Omicron variant of the coronavirus in China, combined with the restrictions imposed as part of the zero-Covid strategy in place there, Volkswagen’s risk exposure has increased. The Russia-Ukraine conflict has created considerable uncertainty, particularly with regard to the potential impact of the actions of the political players, primarily where the duration, intensity and allocation of energy supplies and their impact on the supply chain are concerned. Particularly, the supply of energy, other raw materials and parts for the production process could result in greater constraints for Volkswagen, especially in Europe, where a gas shortage is possible. Higher energy and commodity prices plus greater volatility could add to the strain. Furthermore, inflation rates could reduce purchasing power, adversely affect consumer behavior and put a damper on demand for Volkswagen’s products. Moreover, the need might arise for Volkswagen to recognize further impairment losses on assets and additional risk provisions.

Based on developments in the first half of the year, Volkswagen has adjusted its forecast for the following core performance indicators:

In the automotive division, Volkswagen is assuming higher upfront investment in new technologies and therefore anticipates increasing primary research and development costs and an R&D ratio of around 8%. Compared with previous expectations, Volkswagen is lowering the forecast capex ratio to around 5%.

In terms of operating result for the passenger cars business area before and after special items, the Volkswagen Group is lifting the forecast for the operating return on sales to a range of 8% to 9%. Volkswagen is reducing the expected range for the commercial vehicles business area's operating return on sales to 4% to 5%. For the financial services division, Volkswagen has increased its expectation for the operating result to around €5 billion.

According to Volkswagen, the forecast for all other core performance indicators remains unchanged.

Furthermore, the status of the legal risks at the level of the Volkswagen Group was updated in the interim management report of the Volkswagen Group. Other than that, in the reporting period there were no significant changes compared to the disclosures in the "Opportunities and risks of the Volkswagen Group" section of the combined management report in the annual report of Porsche SE for the fiscal year 2021.

Outlook

Anticipated development of the Volkswagen Group

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

Volkswagen's planning is based on the assumption that global economic output will continue to grow in 2022, albeit at a lower level overall, after the recovery observed in the past fiscal year – provided that the Covid-19 pandemic does not flare up and that shortages of intermediates and commodities become less intense. Volkswagen continues to believe that risks will arise from protectionist tendencies, turbulence in the financial markets, structural deficits in individual countries and the effects of high inflation and rising interest rates worldwide on the economy. In addition, growth prospects will be negatively impacted by ongoing geopolitical tensions and conflicts, with risks arising especially from the Russia-Ukraine conflict, including in relation to the security of supply of energy resources in Europe. The Volkswagen Group anticipates that both the advanced economies and the emerging markets will experience declining yet positive momentum.

The Volkswagen Group anticipates that, given the continuing challenging market conditions, deliveries to customers in 2022 will be 5% to 10% up on the prior year. This assumes that the Covid-19 pandemic will not flare up and that shortages of intermediates and commodities will become less intense. The 2022 fiscal year will continue to be affected by shortfalls in supply due to the structural shortage of semiconductors. Volkswagen anticipates that the supply of semiconductors will improve in the second half of the year, compared with the first half.

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

Volkswagen expects the revenue of the Volkswagen Group and of the passenger cars business area in 2022 to be 8% to 13% higher than the prior-year figure. In terms of operating result for the group before and after special items, Volkswagen forecasts an operating return on sales in the range of 7.0% to 8.5% in 2022. In terms of operating result for the passenger cars business area before and after special items, Volkswagen expects an operating return on sales in the range of 8% to 9%. For the commercial vehicles business area, Volkswagen anticipates an operating return on sales of 4% to 5% amid a strong year-on-year increase in revenue, including Navistar. For the financial services division, Volkswagen forecasts that revenue will be noticeably higher than the prior-year figure and that the operating result will be around €5 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.

In particular on the basis of the Volkswagen Group's expectations regarding its future development, the Porsche SE Group continues to expect a group result after tax of between €4.1 billion and €6.1 billion for the fiscal year 2022.

Existing uncertainties with regard to the further development of the Covid-19 pandemic, the intensity of shortages of intermediates and commodities, the diesel issue as well as the impact of the Russia-Ukraine conflict continue to result in significant limitations to forecasting accuracy.

As of 30 June 2022, the Porsche SE Group had net liquidity of €504 million. Net liquidity is expected to range between €0.2 billion and €0.7 billion as of 31 December 2022. As a result of the acquisition of preference shares in Volkswagen AG (please refer to the explanations in the section "Significant events and developments at the Porsche SE Group"), the expected net liquidity as of 31 December 2022 has decreased compared to the forecast presented in the combined group management report for the fiscal year 2021.

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. The forecast therefore contains in particular no effects from a possible IPO of Porsche AG and any related acquisition of ordinary shares in Porsche AG by Porsche SE (please refer to the details provided in the section “Significant events and developments at the Porsche SE Group”).

Stuttgart, 5 August 2022
Porsche Automobil Holding SE

The board of management

Hans Dieter Pötsch   Dr. Manfred Döss   Dr. Johannes Lattwein   Lutz Meschke

Glossary

Selected terms at a glance

Gross margin

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

Diesel issue

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

Equity ratio

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

Research and development ratio

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

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.

Ratio of capex to revenue

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

Condensed consolidated interim financial statements

Consolidated income statement of Porsche Automobil Holding SE for the period from 1 January to 30 June 2022

€ million	Note	**1st half of 2022**	1st half of 2021[1]
Result from investments accounted for at equity	[1]	3,132	2,514
Income from investment valuation	[2]	12	11
Expenses from investment valuation	[2]	-9	−21
Result from investments		**3,135**	**2,504**
Other operating income		1	1
Personnel expenses		-8	-8
Amortization and depreciation		0	0
Other operating expenses	[3]	−13	−24
Result before financial result		**3,116**	**2,473**
Finance costs		-2	-3
Other financial result		-1	0
Financial result	**[4]**	**-2**	**-4**
Result before tax		**3,114**	**2,469**
Income taxes	[5]	29	-3
Result after tax from continuing operations		**3,143**	**2,467**
Result after tax from discontinued operations	[6]	96	-3
Result after tax		**3,239**	**2,464**
thereof attributable to			
shareholders of Porsche SE		3,239	2,464
non-controlling interests			0
Earnings per ordinary share (basic and diluted) from continuing operations		10.26	8.05
Earnings per ordinary share (basic and diluted) from discontinued operations		0.31	−0.01
Earnings per preference share (basic and diluted) from continuing operations		10.27	8.06
Earnings per preference share (basic and diluted) from discontinued operations		0.32	−0.01

[1] The structure of the consolidated income statement was adjusted. For further details, please see the section “Change in presentation within the consolidated income statement” in the notes to the consolidated financial statements of Porsche SE as of 31 December 2021.

Consolidated statement of comprehensive income of Porsche Automobil Holding SE for the period from 1 January to 30 June 2022

€ million	1st half of 2022	1st half of 2021
Result after tax	**3,239**	**2,464**
Remeasurement of pensions	14	5
Deferred tax on remeasurement of pensions	-4	-2
Other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity (before tax)	4,432	1,615
Deferred tax on other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity	–1,344	–447
Deferred tax not to be reclassified to profit or loss in subsequent periods on investments accounted for at equity	–47	–18
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods	3,052	1,154
Currency translation	0	0
Other comprehensive income to be reclassified to profit or loss in subsequent periods from investments accounted for at equity (before tax)	940	425
Deferred tax on other comprehensive income to be reclassified to profit or loss in subsequent periods from investments accounted for at equity	49	101
Deferred tax to be reclassified to profit or loss in subsequent periods on investments accounted for at equity	–15	-8
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	974	518
Other comprehensive income after tax	**4,026**	**1,672**
Total comprehensive income	**7,265**	**4,136**
thereof attributable to		
shareholders of Porsche SE	7,265	4,136
from continuing operations	7,169	4,139
from discontinued operations	96	-2
non-controlling interests		0

Consolidated balance sheet of Porsche Automobil Holding SE as of 30 June 2022

€ million	Note	30/6/2022	31/12/2021
Assets			
Intangible assets		0	0
Property, plant and equipment		1	1
Investments accounted for at equity	[7]	47,712	41,527
Other financial assets	[8], [15]	51	45
Other assets		0	1
Non-current assets		**47,764**	**41,574**
Other financial assets	[8], [15]	1	1
Other assets		3	1
Income tax receivables	[5]	321	0
Securities	[15]	160	145
Time deposits	[15]	280	225
Cash and cash equivalents	[15]	64	271
Assets classified as held for sale	[9]	343	316
Current assets		**1,171**	**960**
		48,935	**42,533**
Equity and liabilities			
Subscribed capital		306	306
Capital reserves		4,884	4,884
Retained earnings		42,680	40,219
Other reserves (OCI)		813	−3,214
Equity attributable to shareholders of Porsche SE		48,684	42,196
Non-controlling interests			1
Equity	**[10]**	**48,684**	**42,196**
Provisions for pensions and similar obligations	[11]	29	42
Other provisions	[12]	25	30
Financial liabilities	[15]	0	0
Deferred tax liabilities	[5]	153	116
Non-current liabilities		**207**	**188**
Provisions for pensions and similar obligations	[11]	1	1
Other provisions	[12]	32	31
Trade payables	[15]	2	2
Financial liabilities	[15]	0	0
Other financial liabilities	[15]	2	3
Other liabilities		3	4
Income tax liabilities		4	
Liabilities associated with assets classified as held for sale			109
Current liabilities		**45**	**149**
		48,935	**42,533**

Consolidated statement of changes in equity of Porsche Automobil Holding SE for the period from 1 January to 30 June 2022

	Equity attributable to the shareholders of Porsche SE						
€ million	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			2,464		2,464	0	2,464
Other comprehensive income after tax				1,672	1,672		1,672
Total comprehensive income			2,464	1,672	4,136	0	4,136
Other changes in equity arising from the level of investments accounted for at equity			−55	−36	−91		−91
As of 30 June 2021	**306**	**4,884**	**38,739**	**−3,940**	**39,990**	**0**	**39,990**
As of 1 January 2022	306	4,884	40,219	−3,214	42,196	1	42,196
Result after tax			3,239		3,239		3,239
Other comprehensive income after tax				4,026	4,026		4,026
Total comprehensive income			3,239	4,026	7,265		7,265
Dividends payment			−783		−783		−783
Changes to scope of consolidation			−1	1		−1	−1
Other changes in equity arising from the level of investments accounted for at equity			6	1	6		6
As of 30 June 2022	**306**	**4,884**	**42,680**	**813**	**48,684**		**48,684**

Note [10] contains further explanations on equity.

Consolidated statement of cash flows of Porsche Automobil Holding SE for the period from 1 January to 30 June 2022

€ million	**1st half of 2022**	1st half of 2021[1]
1. Operating activities		
Result after tax	3,239	2,464
Result after tax from discontinued operations	–96	3
Result from investments	–3,135	–2,504
Amortization and depreciation	0	0
Interest expense	2	3
Interest income	0	0
Income tax income/expense	–29	3
Other non-cash expenses (+) and income (-)	1	1
Change in other assets	-1	-1
Change in provisions for pensions	0	0
Change in other provisions	-4	7
Change in other liabilities	0	-1
Dividends received	884	
Interest paid	-1	-1
Interest received	0	0
Income tax received	0	
Cash flow from operating activities from continuing operations	**858**	**–26**
Cash flow from operating activities from discontinued operations		12
Cash flow from operating activities	**858**	**–14**
2. Investing activities		
Cash paid for the acquisition of intangible assets and property, plant and equipment	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	–435	
Cash paid for the acquisition of other shares in entities	-5	-4
Cash received from the disposal of other shares in entities	2	45
Change in investments in securities	–15	9
Change in investments in time deposits	–55	-8
Cash flow from investing activities from continuing operations	**–308**	**42**
Cash flow from investing activities from discontinued operations		0
Cash flow from investing activities	**–308**	**42**

[1] The structure of the consolidated statement of cash flows was adjusted. For further details, please see the section “Change in presentation within the consolidated income statement” in the notes to the consolidated financial statements of Porsche SE as of 31 December 2021.

€ million	1st half of 2022	1st half of 2021[1]
3. Financing activities		
Dividends paid to shareholders of Porsche SE	−783	0
Cash flow from financing activities from continuing operations	**−783**	**0**
Cash flow from financing activities from discontinued operations		-2
Cash flow from financing activities	**−783**	**-3**
4. Cash and cash equivalents		
Cash and cash equivalents as of 1 January	271	259
plus cash and cash equivalents as of 1 January from discontinued operations	25	
Change in cash and cash equivalents (subtotal of 1 to 3)	−232	26
Cash and cash equivalents as of 30 June	**64**	**285**

[1] The structure of the consolidated statement of cash flows was adjusted. For further details, please see the section “Change in presentation within the consolidated income statement” in the notes to the consolidated financial statements of Porsche SE as of 31 December 2021.

Note [13] contains further explanations on the consolidated statement of cash flows.

Selected explanatory notes

Basis of presentation

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. The company is registered at the Stuttgart Local Court under HRB 724512.

The consolidated financial statements of Porsche SE for the fiscal year 2021 are prepared in accordance with the international accounting standards, the International Financial Reporting Standards (IFRSs) as adopted by the European Union at the reporting date, as well as the additional requirements of Sec. 315e HGB ["Handelsgesetzbuch": German Commercial Code]. Accordingly, these consolidated interim financial statements as of 30 June 2022 were also prepared in accordance with IAS 34 (Interim Financial Reporting) and the reporting is reduced in scope compared to the consolidated financial statements.

The reporting period covers the period from 1 January to 30 June 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 condensed consolidated interim financial statements and the interim group management report were authorized for issue by the board of management on 5 August 2022. They were discussed with the supervisory board's audit committee before publication.

Furthermore, the condensed consolidated interim financial statements and the interim group management report were reviewed by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Stuttgart office, as defined by Sec. 115 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act].

Scope of consolidation

The condensed consolidated interim financial statements of Porsche SE for the first half of 2022 include by means of full consolidation all entities controlled by Porsche SE.

Companies where Porsche SE is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates) are accounted for at equity.

Changes in the reporting period

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 ("PTV", together with its subsidiaries the "PTV Group"). 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 significantly through the remaining indirect share in the company. Upon fulfilment of all closing conditions on 6 January 2022, all shares in PTV were transferred to a subsidiary of European Transport Solutions S.à r.l., Luxembourg, Luxembourg ("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.

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 [16] in the notes to the consolidated financial statements of Porsche SE as of 31 December 2021).

Meeting 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 are 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 ownership interest of around 40%. As a result of the acquisition of the PTV Group by ETS, a purchase price allocation pursuant to IFRS 3 has to be 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 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. The purchase price allocation at the level of the ETS Group has yet to be concluded. The preliminary purchase price allocation that has been recognized is based on carrying amounts of a purchase price allocation performed for the PTV Group at the end of 2017. For the first half of 2022, the preliminary purchase price allocation recognized at the level of the ETS Group resulted in a pro rata depreciation charge attributable to Porsche SE after taking into account deferred taxes of €2 million.

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 former owners of Econolite participated in the business operations of ETS with a non-controlling interest of around 10%, initially via a subsidiary of ETS. As the transaction proceeds, the plan is for this interest to be replaced by a direct investment in ETS of the same amount, reducing Porsche SE’s stake in ETS to around 35.5% after the reporting date.

In view of the short period of time between Porsche SE acquiring the shares in ETS and the capital increase to finance the acquisition of Econolite, the amortized carrying amounts from the preliminary purchase price allocation for the PTV Group at the level of the ETS Group still represent a reasonable approximation of the fair value of the net assets of ETS even at the time of the capital increase – i.e., at the time Porsche SE acquired additional shares. Furthermore, a purchase price allocation is being performed with regard to the assets and liabilities of Econolite at the level of the ETS Group. Due to the short period of time that has elapsed since the acquisition of Econolite, no preliminary figures have yet been recorded from a purchase price allocation at the level of the ETS Group.

Furthermore, 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. Corresponding to 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 shareholding in the ordinary shares in Volkswagen AG remains unchanged at 53.3% (for further details, please see note [1]).

Accounting policies

Porsche SE implemented all accounting standards endorsed by the EU and mandatory as of 1 January 2022.

For these consolidated interim financial statements, a discount rate of 3.4% (1.1%) was applied to pension provisions. Due to the increase in long-term inflation expectations, future pension increases were adjusted to 2.0% (1.7%) as of 30 June 2022.

Otherwise, the same accounting policies and principles of consolidation were generally used to prepare the condensed consolidated interim financial statements as those used in the consolidated financial statements as of 31 December 2021. A detailed description of these methods is published in the notes to the consolidated financial statements in the “Accounting policies” section. Moreover, the effects of applying the new standards are described in more detail under the section “New accounting standards”.

Accounting judgments, estimates and assumptions of the management

For the issues below, the following new developments and findings arose in the first half of 2022:

For new developments in the first half of 2022 with regard to legal disputes, please refer to the section “Significant events and developments at the Porsche SE Group” in the interim group management report. The provisions for costs of litigation recognized correspond to the expected attorneys’ fees and litigation expenses. Furthermore, there continue to be no conclusive findings or assessments of facts available based on the information available and gained that would suggest that a different assessment of the associated risks should have been made.

In particular, please also refer to the explanations on the impairment test of the carrying amount of the investment in Volkswagen AG as of 30 June 2022 under note [7].

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 with significant judgments, estimates and assumptions at the level of the Volkswagen Group are presented below.

In this connection, reference is made to developments relating to the diesel issue at the level of the Volkswagen Group as well as to the effects of the Russia-Ukraine conflict in the first half of 2022:

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.

This was followed by further reports on the scope of the diesel issue. Detailed information can be found in the consolidated financial statements of Porsche SE as of 31 December 2021 in the section “Accounting judgments, estimates and assumptions of the management at the level of the Volkswagen Group”.

In the first six months of the fiscal year 2022, special items of €360 million were recognized in this connection at the level of the Volkswagen Group. These largely result from additional expenses for legal risks.

In addition, there were the following developments in connection with the diesel issue:

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

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 ("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.

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

In Brazil, the plaintiff in the second pending consumer protection class action has appealed the trial court's October 2021 judgment dismissing the complaint.

In England and Wales, roughly 91 thousand claims of the group litigation against the Volkswagen Group were settled out of court for the sum of £193 million (€231 million) as well as a separate amount for attorney fees and other costs in May 2022.

In the Netherlands, the court hearing the class action brought by the Diesel Emissions Justice Foundation ("DEJF") 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 has appealed this judgment.

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 July 2022, the European Court of Justice ("ECJ") ruled that a so-called thermal window (i.e., a built-in temperature-dependent emissions control feature) 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 inadmissible if it is active for the "largest part of a year under the driving conditions which are actually prevailing in the European Union area." Volkswagen is assessing the effects of this decision and is in discussion with the authorities.

3. Proceedings in the USA/Canada

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 is pending.

4. Special audit

In the reporting period, Volkswagen AG has filed an action before the Braunschweig Regional Court against the special auditor appointed by the Celle Higher Regional Court; Volkswagen AG is seeking an injunction enjoining the special auditor from performing the audit as long as he has not furnished sufficient proof of his independence.

In line with IAS 37.92, no further statements have been made by Volkswagen concerning estimates of the 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.

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 are significant price rises, particularly on the energy and commodity markets, and significant increases in 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 could potentially lead to impairment risks to existing leased 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 parts supplies and the provision of technical information. To date, only an insignificant number of complaints has been received from customers, service providers, or other contract partners of the Volkswagen Group about any non-fulfillment of contracts in Russia. It is not clear at present for the Volkswagen Group how the situation will develop further.

Triggered by the direct impact of the Russia-Ukraine conflict, expenses in the mid-three-digit million euro range relating to loss allowances and risk provisions were recognized at the level of the Volkswagen Group in the first half of 2022. This includes further risk provisions in an amount in the low-three-digit million euro range recognized in the second quarter in response to the continuing conflict, in addition to the expenses recognized in the first quarter.

In connection with inflation rate trends, the weighted cost of capital (“WACC”) used in testing the different cash-generating units for impairment were also subject to significant change at the level of the Volkswagen Group. Compared to 31 December 2021, the cost of capital for the different cash-generating units increased by between 0.5 and 3.5 percentage points as of 30 June 2022. In light of this change, further impairment tests were conducted at the level of the Volkswagen Group on certain material assets, especially brand names, capitalized development costs and property, plant and equipment, as of 30 June 2022. In this process, the cash flows used in the prior year’s impairment tests were adjusted to reflect the latest assumptions. The current assumptions of the Volkswagen Group relate in particular to the effects expected during the fiscal year from the parts supply shortages with the corresponding expected losses of production volume and from the suspension of vehicle deliveries to Russia and the discontinuation of vehicle production in Russia. Given the very dynamic developments, it is, however, not possible at present for the Volkswagen Group to make a reliable assessment of the many different effects of the growing supply insecurity affecting energy resources in Europe (e.g. the gas shortage). As for long-term earnings performance, there is an expectation that the assumptions will generally remain unchanged at the level of the Volkswagen Group. Apart from the impairment losses recognized in response to the direct effects described above, the tests conducted to establish recoverability have not resulted in any further need at present to recognize impairment losses on those Volkswagen Group’s cash-generating units subjected to testing.

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	**1st half of 2022**	1st half of 2021
Result from ongoing at equity accounting	3,246	2,545
Effects from purchase price allocations	−38	−31
Income from first-time at equity accounting of newly acquired shares	581	
Impairment acc. to IAS 28 in conjunction with IFRS 5	−689	
Write-up	33	
	3,132	**2,514**

The result from investments accounted for at equity relates almost exclusively to the profit contribution from the investment in Volkswagen AG.

The change in the result from ongoing at equity accounting is largely attributable to the positive development at the level of the Volkswagen Group, which is largely associated with positive effects from the price positioning, the product mix as well as the fair value measurement of derivatives to which hedge accounting is not applied (in particular commodity and currency hedges). Please refer to the explanations presented in the section “Results of operations of the Volkswagen Group” in the interim group management report.

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 preliminary income from first-time at equity accounting of €581 million. This income 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 fundamental data for the Volkswagen Group used particularly in the valuation of the brands and the investments accounted for at equity are not fully reflected in the share price and therefore not in the acquisition cost when calculating the pro rata revalued equity.

The pro rata revalued equity is 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 is 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 mainly 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 country- and asset-specific after-tax cost of capital in the range of between 6.5% and 11.4 %.

At the time of preparing the condensed consolidated interim financial statements, the purchase price allocation had not yet been completed and is therefore preliminary, particularly with regard to the significant brands and investments accounted for at equity. New information at the level of the Volkswagen Group may result in further adjustments.

As a financing component for a potential acquisition of ordinary shares in Porsche AG, on 24 June 2022 the supervisory board of Porsche SE approved a sales plan of up to 2.7 million preference shares in Volkswagen AG. The sale is to take place at the earliest following a potential initial public offering of Porsche AG. As a result, the preference shares were reported as assets classified as held for sale pursuant to IFRS 5 and measured at their fair value less costs to sell as of 30 June 2022 of €343 million. The resulting impairment pursuant to IAS 28 in conjunction with IFRS 5 of minus €689 million is largely related to the previously recognized preliminary bargain purchase of €581 million. With regard to the remaining investment accounted for at equity, which consists exclusively of ordinary shares as a result of the IFRS 5 classification of preference shares, no impairment requirement was identified in the course of the impairment test as of the reporting date (see explanations in note [7]).

As a result of the issue of shares to a new shareholder of INRIX Inc., Kirkland, USA, at a fair value that exceeds the amortized carrying amount accounted for at equity in relation to the shares of Porsche SE, a write-up of €33 million was recognized in the reporting period.

[2] Income and expenses from investment valuation

The items income/expenses from investment valuation contain the valuation effects from portfolio companies measured at fair value. Reference is also made in this connection to the explanations in note [15].

[3] Other operating expenses

Other operating expenses consist of:

€ million	**1st half of 2022**	1st half of 2021
Legal and consulting fees	7	18
Other external services	2	3
Sundry other operating expenses	3	2
	13	**24**

[4] Financial result

Unchanged on the prior year, the financial result largely contains commitment fees and other finance costs. In the prior year, it also included interest expenses for expected tax backpayments of €2.3 million.

[5] Income tax

Income tax receivables in the reporting year largely relate to tax withheld on investment income for dividend payments received from Volkswagen AG and PTV.

The deferred tax liabilities recognized in the balance sheet are primarily attributable to the higher carrying amount of the investment in Volkswagen AG accounted for at equity compared to the tax base.

The income tax income (-) and expense (+) disclosed breaks down into:

€ million	**1st half of 2022**	1st half of 2021
Current tax income/expense	0	4
Deferred tax income	–29	-1
thereof related to the origination/reversal of temporary differences	31	38
thereof deferred tax assets on tax loss carryforwards	–60	–39
Income tax income (income tax expense)	**–29**	**3**

The current tax expense recognized in the prior year is attributable to amounts allocated to provisions for income taxes for prior years. Deferred tax income (net) for the reporting period is largely attributable to the higher year-on-year deferred tax liabilities on the 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 the consolidated income statement in line with the share of the result from investments accounted for at equity recognized in the consolidated income statement and in other comprehensive income in line with the share of other comprehensive income attributable to the investment accounted for at equity.

[6] Result after tax from discontinued operations

The business operations of PTV were classified as a discontinued operation until deconsolidation on 6 January 2022 (see section “Changes in the reporting period”). The result from discontinued operations breaks down as follows:

€ million	**1st half of 2022**	1st half of 2021
Revenue		53
Expenses		–56
Result before financial result		**-3**
Financial result		0
Result before tax from discontinued operations		**-3**
Income taxes		1
Deconsolidation effect	96	
Result after tax from discontinued operations	**96**	**-3**
thereof attributable to shareholders of Porsche SE	96	-3

[7] Investments accounted for at equity

Investments accounted for at equity almost exclusively comprise Porsche SE's investment in Volkswagen AG. In light of rising market interest rates and a carrying amount of the investment in Volkswagen AG accounted for at equity of €47,561 million (€41,521 million) above the pro rata market capitalization of €27,376 million (€40,691 million) an impairment test was performed as of 30 June 2022.

In this process, the cash flows used in the prior year's impairment test were adjusted to reflect the latest assumptions. The current assumptions of the Volkswagen Group relate in particular to the effects expected during the fiscal year from the parts supply shortages with the corresponding expected losses of production volume and from the suspension of vehicle deliveries to Russia as well as the discontinuation of vehicle production in Russia. Given the very dynamic developments, it is, however, not possible at present to make a reliable assessment of the many different effects of the growing supply insecurity affecting energy resources in Europe (e.g., the gas shortage). As for long-term earnings performance, there is an expectation that the assumptions will generally remain unchanged. Furthermore, the weighted average cost of capital was updated to 30 June 2022. As of the reporting date, it amounted to 9.1% (8.1%) after tax and 12.0% (10.7%) before tax.

The impairment test included a sensitivity analysis of the critical assumptions. This involved analyzing the extent to which 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 was 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 30 June 2022.

Since this reporting year, the investment in ETS has also 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, in particular against the background of the investment in the business operations of ETS by the former shareholders of Econolite in June 2022 (see explanations in the section "Changes in the reporting period") on the basis of a pro rata fair value exceeding the carrying amount of the shares in ETS held by Porsche SE there was no indication of impairment as of 30 June 2022.

[8] Other financial assets

€ million	30/6/2022			31/12/2021		
	current	non-current	Total	current	non-current	Total
Other financial assets	0	51	51	0	45	45
Sundry other financial assets	1		1	1		1
	1	**51**	**52**	**1**	**45**	**46**

The increase in other financial assets is largely attributable to an additional investment in an existing portfolio investment as well as to the positive balance from the remeasurements of other financial assets at fair value totaling €3 million. By contrast, the pro rata sale of a portfolio investment reduced the carrying amount. Reference is also made in this connection to the explanations on financial instruments in note [15].

[9] Assets classified as held for sale

Assets classified as held for sale relate to around 2.7 million preference shares in Volkswagen AG (for further details see note [1]).

[10] Equity

The development of equity is presented in the consolidated statement of changes in equity and in the consolidated statement of comprehensive income.

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.

On 13 May 2022, the annual general meeting of Porsche SE resolved to distribute a dividend of €2.554 (€2.204) per ordinary share and €2.560 (€2.210) per preference share for the fiscal year 2021. A total of €783 million (€676 million) was therefore distributed.

As of 30 June 2022, other reserves (OCI) contain accumulated income and expenses that cannot be reclassified to profit or loss totaling €30 million as well as income and expenses that can be reclassified to profit or loss totaling €5 million relating to assets classified as held for sale (see explanations in note [1] and [9]).

[11] Provisions for pensions and similar obligations

Largely due to the increase in the discount rate for pension provisions in these condensed consolidated interim financial statements (see explanations in the section "Accounting policies"), pension provisions decreased by €13 million in the reporting period to €30 million. The changes in value resulting from adjustments to the discount rate and future pension increases were recognized as actuarial gains and losses under other comprehensive income.

[12] Other provisions

As of the reporting date, other provisions break down as follows:

	30/6/2022			31/12/2021		
€ million	current	non-current	Total	current	non-current	Total
Provisions for bonuses and personnel costs	3	1	4	5	1	6
Provisions for costs of litigation	15	24	39	13	29	42
Sundry other provisions	15		15	14		14
	32	**25**	**58**	**31**	**30**	**61**

[13] Consolidated statement of cash flows

Cash inflow from operating activities primarily contains the dividend inflow of €884 million received by Porsche SE from Volkswagen AG. Due to a change in the law, the gross dividend of €1,201 million allocable to Porsche SE is subject to deduction of withholding tax on investment income including solidarity surcharge of 26.375% or €317 million, which will only lead to corresponding tax refunds in subsequent years. The tax refunds expected in the future will be recorded in the consolidated statement of cash flows in subsequent years under the item “Income tax received”. In the prior year, Volkswagen AG paid the dividend in the third quarter, which is why the prior-year comparative figure does not contain any dividend inflow for the first half of 2021.

Cash outflow from investing activities is primarily attributable to the outflows in connection with the acquisition of preference shares in Volkswagen AG, the change in investments in time deposits and securities as well as the investment in portfolio companies. This was counterbalanced by the cash inflow from the sale of the PTV Group of €226 million less the cash and cash equivalents of the PTV Group disposed of in the course of the deconsolidation of €25 million.

[14] Segment reporting

The Porsche SE Group distinguishes between two segments. The segment “core investment” comprises the long-term core investment in Volkswagen AG as well as Porsche SE’s holding operations, comprising Porsche SE’s corporate functions including the holding financing function. The “portfolio investments” segment contains 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 board of management of Porsche SE monitors the result after tax of the segments and, on this basis, decides on how to allocate resources and assesses their earnings power.

The methods mentioned in the “Accounting policies” section apply to the segment reporting, which follows the presentation in the consolidated income statement that was changed in the previous reporting period. The group carrying amounts are the aggregate of the two segments.

€ million	Core investment	Portfolio-investments	**Group 30/6/2022**
Result from investments accounted for at equity	3,104	28	3,132
Income from investment valuation		12	12
Expenses from investment valuation		-9	-9
Result from investments	**3,104**	**32**	**3,135**
Other operating income	1	0	1
Personnel expenses	-8		-8
Amortization and depreciation	0		0
Other operating expenses	– 12	-1	– 13
Result before financial result	**3,085**	**31**	**3,116**
Finance costs	-2		-2
Other financial result	-1		-1
Result before tax	**3,082**	**31**	**3,114**
Income tax	29	0	29
Result after tax from continuing operations	**3,112**	**31**	**3,143**

€ million	Core investment	Portfolio-investments	Group 30/6/2021
Result from investments accounted for at equity	2,514	0	2,514
Income from investment valuation		11	11
Expenses from investment valuation		– 21	– 21
Result from investments	**2,514**	**-9**	**2,504**
Other operating income	1	0	1
Personnel expenses	-8		-8
Amortization and depreciation	0		0
Other operating expenses	– 24	0	– 24
Result before financial result	**2,482**	**-9**	**2,473**
Finance costs	-3		-3
Other financial result	0		0
Result before tax	**2,479**	**-9**	**2,469**
Income tax	-3	1	-3
Result after tax from continuing operations	**2,475**	**-9**	**2,467**

[15] Financial instruments

The principles and methods on fair value measurement remain unchanged on the prior year. Detailed explanations can be found in the consolidated financial statements as of 31 December 2021 under “Accounting policies”.

The financial instruments measured at fair value through profit or loss largely comprise shares in portfolio investments.

The following table shows the reconciliation of the balance sheet items to the classes of financial instruments corresponding to the measurement categories at the Porsche SE Group, broken down by the carrying amount and fair values of the financial instruments:

	30/6/2022				
	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	47,712	47,712
Other financial assets	51	n/a	n/a	n/a	51
Current assets					
Other financial assets	n/a	1	1	n/a	1
Securities	n/a	160	160	n/a	160
Time deposits	n/a	280	280	n/a	280
Cash and cash equivalents	n/a	64	64	n/a	64
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	2	2	n/a	2

	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	n/a	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 values 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 values 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 financial instruments 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. 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 through profit or loss by level:

€ million	**30/6/2022**	Level 1	Level 2	Level 3
Financial instruments measured at fair value				
Non-current other financial assets	51	5		46

€ million	31/12/2021	Level 1	Level 2	Level 3
Financial instruments measured at fair value				
Non-current other financial assets	45	16		29

In the prior year, in the non-current other financial assets, reclassifications of €14 million were made from level 3 to level 1 and reclassifications of €2 million from level 2 to level 1 as a result of initial public offerings of two portfolio investments and therefore market prices from active markets being available as of 31 December 2021.

Non-current other financial assets contain shares in portfolio investments. The fair value of these assets is based on share prices or information derived from financing measures.

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**
Fair value as of 1 January	29
Profit recognized through profit or loss	12
Investments	5
Fair value as of 30 June	**46**

The gains of €12 million recognized through profit or loss from the fair value measurement are recorded in the consolidated income statement under the item income from investment valuation. The gains recognized through profit or loss contain unrealized gains of €12 million.

[16] Contingent liabilities from legal disputes

For new developments with regard to legal disputes, please refer to the section "Significant events and developments at the Porsche SE Group" in the interim group management report.

[17] Related parties

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 reporting period 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	**1st half of 2022**	1st half of 2021	**1st half of 2022**	1st half of 2021
Porsche and Piëch families	0			
Associates	0	0	2	3
	0	**0**	**2**	**3**

	Receivables		Liabilities	
€ million	**30/6/2022**	31/12/2021	**30/6/2022**	31/12/2021
Porsche and Piëch families	0	0		
Associates	0	0	10	10
	0	**0**	**10**	**10**

The table above does not contain the dividends from Volkswagen AG of €1,201 million before and €884 million after the deduction of withholding tax on investment income. In the prior year, Volkswagen AG paid out the dividend in the third quarter.

[18] Subsequent events

With the exception of the developments presented in the interim group management report in the sections "Significant events and developments at the Porsche SE Group" and "Significant events and developments at the Volkswagen Group", there were no other reportable events after 30 June 2022.

[19] 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 [“Aktiengesetz”: German Stock Corporation Act] in December 2021 and made it permanently accessible to shareholders on the company’s website at www.porsche-se.com/en/company/corporate-governance/.

Stuttgart, 5 August 2022

Porsche Automobil Holding SE
The board of management

Hans Dieter Pötsch Dr. Manfred Döss Dr. Johannes Lattwein Lutz Meschke

On completion of our review, we issued the following unqualified review report dated 5 August 2022 in German language. The following text is a translation of this review report. The German text is authoritative:

Review Report

To Porsche Automobil Holding SE, Stuttgart

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and selected explanatory notes – and the interim group management report of Porsche Automobil Holding SE, Stuttgart, ("Porsche SE") for the period from 1 January 2022 to 30 June 2022, which are part of the half year financial report pursuant to § (Article) 115 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the company's executive directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Stuttgart, 5 August 2022

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 for interim financial reporting, the condensed consolidated interim financial statements give a true and fair view of the net assets, financial position and results of operations of the group, and the interim group management report 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 for the remaining months of the financial year.

Stuttgart, 5 August 2022

Porsche Automobil Holding SE
The board of management

Hans Dieter Pötsch   Dr. Manfred Döss   Dr. Johannes Lattwein   Lutz Meschke

Financial calendar

8 November 2022
Group quarterly statement 3rd Quarter 2022

This half-yearly financial 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.

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