PORSCHE SE

Half-yearly financial report

1 January – 30 June

2020

Investments of Porsche SE

PORSCHE SE

Core Investment

Stake of ordinary shares: 53.3 %
(Represents a stake of subscribed capital: 31.4 %)

VOLKSWAGEN
AKTIENGESELLSCHAFT

Volkswagen | Audi | SEAT | ŠKODA

BENTLEY | BUGATTI | LAMBORGHINI | PORSCHE

DUCATI | Volkswagen Commercial Vehicles | SCANIA | MAN

VOLKSWAGEN FINANCIAL SERVICES
AKTIENGESELLSCHAFT

Further Investments

PTV GROUP

Minority stakes

INRIX | Markforged | SEURAT | AEVA

Status 30 June 2020

Content

Interim group management report

1 January – 30 June 2020

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 2020, the Porsche SE Group had 927 employees (951 employees).

Porsche SE is a holding company. In particular, it holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft, Wolfsburg (“Volkswagen AG“, “Volkswagen“ or “VW”), one of the leading automobile manufacturers in the world. The Volkswagen Group comprises twelve brands with registered offices in seven European countries: Volkswagen passenger cars, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen commercial vehicles, Scania and MAN. The collaboration between the MAN and Scania commercial vehicle brands is coordinated in TRATON SE, which has been listed on the stock exchange since mid-2019. In addition to the investment in Volkswagen AG, the Porsche SE Group holds 100% in PTV Planung Transport Verkehr AG, Karlsruhe (“PTV AG”), shares in INRIX Inc., Kirkland, Washington, USA (“INRIX”), as well as shares in four technology start-ups.

The principal criteria of Porsche SE for the acquisition of investments are the connection to the automotive value chain, industrial production or the future of mobility. The automotive value chain comprises the entire spectrum from basic technologies and supporting the development and production process through to vehicle- and mobility-related services. The prerequisites for investment by Porsche SE are always the positioning in an attractive market environment and above-average growth potential.

Porsche SE is currently focusing its search on companies in the area of autonomous driving, electromobility, transport management, innovative production/manufacturing methods as well as innovative mobility offerings.

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 2020, unless reference is made in this section to another time period.

Global spread of coronavirus

At the end of December 2019, initial cases of a new, sometimes fatal lung disease emerged in Wuhan, in the Chinese province of Hubei. This disease is attributable to a novel coronavirus. Infections also began to appear outside China from mid-January 2020. In order to slow the spread of the SARS-CoV-2 virus and contain the resulting Covid-19 pandemic, governments around the world have introduced measures during 2020 that have resulted in a huge disruption to everyday life and economic activity. Primarily in Europe and Asia, many of the measures taken to stem the spread of the Covid-19 pandemic were gradually relaxed in the second quarter.

The Porsche SE Group currently assumes that the Covid-19 pandemic is a temporary event that will not have any lasting negative impact on the group's long-term business performance.

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

Due to its capital share in Volkswagen AG, Porsche SE is significantly influenced by developments at the level of the Volkswagen Group. In this connection, the main topics for the second quarter of 2020 were the diesel issue and the Covid-19 pandemic at the level of the Volkswagen Group and the implications for the Porsche SE Group of these issues.

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 vehicles of Volkswagen Group with type 2.0 l diesel engines in the USA. In this regard, numerous court and governmental proceedings were subsequently initiated in various countries (“diesel issue”; see the description in the combined group management report of Porsche SE for the fiscal year 2019 in the section “Diesel issue” in the section “Significant events and developments at the Volkswagen Group”).

As a result of the Covid-19 pandemic, the Volkswagen Group recorded a sharp decline in its business in the first six months of the current fiscal year. The group result after tax decreased from

€7.2 billion in the prior year to minus €1.0 billion. From January to June 2020, negative special items in connection with the diesel issue affected the passenger cars business area's operating result in an amount of minus €0.7 billion (minus €1.0 billion). These items resulted mainly from legal risks.

The Covid-19 pandemic and the diesel issue also have an impact on the development of the prices of Volkswagen AG's ordinary and preference shares and thus the market capitalization of Porsche SE's investment. As of 30 June 2020, there was no need to recognize an impairment loss on the basis of the earnings forecasts for the investment accounted for at equity in Volkswagen AG. However, particularly a further increase in the costs of mitigating the diesel issue as well as any lasting decreases in profit stemming from the Covid-19 pandemic might still lead to an impairment in the value of the investment. There may also still be subsequent effects on the dividend policy of Volkswagen AG and therefore on the cash inflows at the level of Porsche SE. Legal risks from claims brought against Porsche SE stemming from the diesel issue may also have an effect on the results of operations, financial position and net assets of the Porsche SE Group.

Porsche SE acquires further ordinary shares in Volkswagen AG

Porsche SE holds the majority of the ordinary shares in Volkswagen AG as a core investment, sees itself as a long-term anchor investor that acts strategically and is also still convinced of the Volkswagen Group's potential for increasing value added. In the period from 17 March 2020 to 20 April 2020, Porsche SE acquired a total of 0.2% of the ordinary shares in Volkswagen AG for €81 million in capital market transactions. As of 31 December 2019, Porsche SE held 53.1% and as of the reporting date 53.3% of the ordinary shares in Volkswagen AG. The acquisitions resulted overall in preliminary income from first-time at equity accounting of €126 million. This increase in the investment is another demonstration of the company's clear commitment to Volkswagen.

Lutz Meschke succeeds Philipp von Hagen

In consultation with the supervisory board, Philipp von Hagen left the company effective 30 June 2020 of his own accord and by mutual agreement. The supervisory board appointed Lutz Meschke to succeed him in his role as member of the board of management responsible for investment management of Porsche SE. He will exercise this task in addition to his current role as deputy chairman of the board of management at Dr. Ing. h.c.F. Porsche AG, Stuttgart.

Adjustment of the proposed dividend and new date for the annual general meeting

The board of management and supervisory board of Porsche SE agreed to propose to the annual general meeting of Porsche SE the distribution of a dividend of €2.210 per preference shares and €2.204 per ordinary share and thus to amend the distribution to bring it in line with the dividend of the prior year. The reason for this is an announcement by Volkswagen AG that the dividend proposal to be made at Volkswagen's annual general meeting would be on a par with the prior-year dividend. The company is thus reacting to how the current fiscal year 2020 has developed so far as a result of the Covid-19 pandemic. The board of management and supervisory board of Porsche SE had initially proposed a dividend per preference share of €3.110 and a dividend per ordinary share of €3.104.

The date of the 2020 annual general meeting of Porsche SE has been set for 2 October 2020. In light of the persisting uncertainty regarding the limitation of the number of participants in connection with the Covid-19 pandemic, it will be held as a virtual annual general meeting.

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

For several years, Porsche SE has been involved in various legal proceedings. The main developments that occurred in the legal proceedings during the reporting period are described in the following, although 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 expansion 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 expansion 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 assert alleged claims for damages of about €5.4 billion (plus interest). Since the beginning of the model case several hearings have already been held before the Higher Regional

Court of Celle, in which the court, inter alia, explained its preliminary view on the state of affairs and of the dispute. The next dates for hearings are scheduled beginning on 2 September 2020. Porsche SE is of the opinion that the claims asserted in the suspended initial proceedings are without merit and that the requested establishment objectives in the model case will be rejected. Porsche SE considers its opinion endorsed by the previous development of the oral hearing before the Higher Regional Court of Celle.

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

Since 2012, Porsche SE and two companies of an investment fund have been in dispute over the existence of alleged claims in the amount of about US$195 million and have filed lawsuits in Germany and England respectively. On 6 March 2013, the English proceedings were suspended at the request of both parties until a final decision had been reached in the proceedings commenced in the Regional Court of Stuttgart concerning the question of which court is the court first seized. A final decision on this issue continues to be outstanding. Currently, the proceedings are pending before the Higher Regional Court of Stuttgart. On 24 January 2020, a further motion for recusal against the expert witness was filed, on which a decision is yet to be made. Porsche SE considers the action filed in England to be inadmissible and the asserted claims to be without merit.

Legal proceedings and legal risks in connection with the diesel issue and shareholder proceedings

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. In one proceeding, in addition to Porsche SE, Robert Bosch GmbH was made defendant.

Porsche SE considers the actions to be inadmissible in part, but in any case to be without merit.

Before the Regional Court of Stuttgart 199 actions are currently pending at first instance. After withdrawal of one action by one plaintiff in the amount of around €11 million in February 2020 and withdrawal of one additional action early in March 2020, the actions concern payment of damages, if quantified, in the total amount of approximately €916.6 million (plus interest) and in part establishment of liability for damages. In the majority of the proceedings pending before the Regional Court of Stuttgart, motions for recusal by the plaintiff side are pending. To the extent that decisions have been made so far on these motions for recusal, they have been dismissed. 30 claims for damages against Porsche SE, with a claim volume (according to the current assessment of the partially unclear head of claims) of approximately €9 million (plus interest), are pending before the Regional Court of Braunschweig. A number of the proceedings pending before the Regional Court of Stuttgart and the Regional Court of Braunschweig are currently suspended with reference to the KapMuG proceedings pending before the Higher Regional Court of Stuttgart and the Higher Regional Court of Braunschweig. Porsche SE considers the actions filed against it before the Regional Court of Stuttgart to be without merit. The actions filed against Porsche SE before the Regional Court of Braunschweig are considered by Porsche SE to be inadmissible and to be without merit.

In addition, two further proceedings, in which a total of further approximately €164 million (plus interest) in damages was claimed, are pending before the Higher Regional Court of Stuttgart on appeal. The Regional Court of Stuttgart granted these actions in the amount of approximately €47 million (plus interest) and otherwise dismissed the actions on 24 October 2018. Porsche SE and the respective plaintiffs filed appeals. The appeal proceedings had been suspended with reference to the KapMuG proceedings pending before the Higher Regional Court of Stuttgart and the Higher Regional Court of Braunschweig. The orders to suspend the proceedings by the Higher Regional Court of Stuttgart were appealed by the respective plaintiffs on points of law. In one proceeding, the appeal on points of law against the order to suspend the proceeding has meanwhile been withdrawn. In the other proceeding, the Federal Court of Justice, by court order dated 16 June 2020, set aside the order to suspend the proceeding by the Higher Regional Court of Stuttgart and ordered that the proceeding be resumed. Porsche SE considers these actions filed against it before the Regional Court of Stuttgart to be without merit.

A KapMuG proceeding, initiated by order for reference of the Regional Court of Stuttgart of 28 February 2017, is pending before the Higher Regional Court of Stuttgart. The Higher Regional Court of Stuttgart decided by court order dated 27 March 2019 that the model case proceeding is inadmissible. Against this decision an appeal on points of law was filed with the Federal Court of Justice. By court order dated 16 June 2020, the Federal Court of Justice set aside the court order of the Higher Regional Court of Stuttgart and referred the case back to the Higher Regional Court for reconsideration on the appointment of a model case plaintiff.

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. Several oral hearings have taken place before the Higher Regional Court of Braunschweig. The next oral hearing is set to take place on 8 September 2020. With regard to the partial model case ruling of the Higher Regional Court of Braunschweig regarding questions of jurisdiction, an appeal proceeding on points of law is pending at the Federal Court of Justice.

During the reporting period, no significant new developments have 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 and the shareholder proceedings.

The investigation proceedings on suspicion of market manipulation against Prof. Dr. Martin Winterkorn, Hans Dieter Pötsch and Matthias Müller as well as the regulatory fining proceedings against Porsche SE pursuant to Sec. 30, 130 Regulatory Offences Act (OWiG) continue to be pending. Porsche SE considers the allegation made to be without merit.

Significant events and developments at the Volkswagen Group

In the second quarter of fiscal year 2020, the following significant events and developments arose at the Volkswagen Group:

Covid-19 pandemic

Due to the global drop in demand as well as interruptions in production, which are partly still ongoing, the Covid-19 pandemic had a negative impact on the Volkswagen Group's financial position and results of operations in the first half of the year. For further details, please refer to the sections "Results of operations of the Volkswagen Group", "Opportunities and risks at the Volkswagen Group" and "Anticipated development of the Volkswagen Group".

Partnerships

As part of its electrification strategy, Volkswagen decided at the beginning of May 2020 to use its Salzgitter site for construction of the building and development of the infrastructure needed for the lithium-ion battery manufacturing joint venture with Northvolt AB. The objective is to leverage synergies together with the Center of Excellence for Battery Cells already located at the site. Battery cell production is scheduled to commence at the start of 2024 with an initial capacity of 16 gigawatt hours.

At the end of May 2020, Volkswagen announced plans to increase its stake in JAC Volkswagen Automotive Co. Ltd., Hefei (JAC VW), a joint venture for electric mobility in China. The transaction with a value of around €1 billion includes the acquisition of 50% of Anhui Jianghuai Automobile Group Holdings Ltd., Hefei (JAG), the parent company of Volkswagen partner JAC, and an increase in the interest in JAC VW from 50 to 75%. The capital increase will enable Volkswagen to further advance its electric car offensive in China. In addition, Volkswagen will acquire a shareholding of around 26% in battery manufacturer Guoxuan High-Tech Co., Ltd., Hefei, for around €1 billion, making it the company's largest shareholder. Completion of the transactions is subject to regulatory approval.

At the beginning of June 2020, Ford Motor Company and Volkswagen AG signed additional contracts within their existing global alliance for light commercial vehicles, electrification and autonomous driving. The contracts serve as the foundation for a total of three vehicle projects. In addition to the collaboration on the mid-sized pickup, projects are now underway for a city van and a one-ton cargo van. The three alliance projects amount to a volume of approximately 8 million vehicles over the entire life cycles. At the start of June 2020, contracts were concluded for a cooperation to further develop autonomous driving and the Volkswagen Group company Autonomous Intelligent Driving GmbH, Munich ("AID"), was incorporated into Argo AI.

In June 2020, the Volkswagen Group also announced plans to increase its shareholding in the US battery specialist QuantumScape. The objective is to promote the joint development of solid-state battery technology. In the future, solid-state batteries should result in a significantly increased range and faster charge times. They are regarded as the most promising approach to electric mobility for generations to come. Volkswagen has already been collaborating with QuantumScape since 2012 and is the largest automotive shareholder thus far. Both founded a joint venture in 2018, the aim of which is to prepare the mass production of solid-state batteries for Volkswagen. The new investment of up to US$200 million and the associated increase in the shareholding is still subject to various conditions precedent.

New date for the 2020 VW annual general meeting and proposed amendment to the dividend

30 September 2020 has been set as the new date for the annual general meeting for fiscal year 2019. After the annual general meeting, originally scheduled for May, was postponed due to the spread of coronavirus, the meeting in September will not be conducted in the usual manner either. To protect the health of shareholders, employees and service providers, this year's VW annual general meeting will be held on a virtual platform. At the same time as announcing the new date, the management of Volkswagen AG has also submitted an amended proposal on the appropriation of net retained profits. The enormous disruption to all areas of everyday life and economic activity caused by the Covid-19 pandemic has also affected the Volkswagen Group worldwide. Given the scale and extent of the impact and the current inability to reliably estimate future developments, the board of management and the supervisory board of Volkswagen AG have resolved to now propose to the annual general meeting a dividend of €4.80 per ordinary share and €4.86 per preferred share. Volkswagen AG's management has thus amended the proposal on the appropriation of net retained profits previously announced for fiscal year 2019, which had originally been €6.50 per ordinary share and €6.56 per preferred share. Volkswagen AG continues to be committed to the aim laid down in its group strategy of achieving a payout ratio of at least 30%.

Cash compensation set for Audi shareholders

As part of the planned squeeze-out at AUDI AG under the German Stock Corporation Act, Volkswagen AG announced on 16 June 2020 that the cash compensation for the transfer of shares held by minority shareholders had been set at €1,551.53 per share. The resolution on the transfer was passed at AUDI AG's annual general meeting, which took place on 31 July 2020.

First judgments by federal court of justice in diesel litigation

On 25 May 2020, the Bundesgerichtshof (BGH – Federal Court of Justice) handed down its first decision ever in an individual product-related lawsuit in connection with the diesel issue. The BGH held that the buyer, who had purchased a vehicle with a type EA 189 engine prior to public disclosure of the diesel issue, had a claim for damages against Volkswagen AG. While the buyer can require reimbursement of the vehicle's purchase price, he must accept a deduction for the benefit derived from using the vehicle and must return it to Volkswagen AG. The judgment clarifies the BGH's stance on the fundamental issues underlying a large number of the some 65 thousand individual diesel lawsuits still pending in Germany. In a series of fundamental judgments rendered in July 2020, the BGH decided further legal issues of major importance for the litigation still pending with regard to vehicles with type EA 189 engines. The BGH held that plaintiffs who purchased their vehicle after public disclosure of the diesel issue in the fall of 2015 had no claim for damages. The court furthermore ruled that purchasers of affected vehicles were not entitled to tort interest under § 849 BGB (German Civil Code). And the court also made it clear that a plaintiff's potential damage claim could be completely offset by the benefit derived from using the vehicle.

Market manipulation proceedings terminated

Against payment in each case of a court-imposed sum of €4.5 million, the Braunschweig Regional Court on 20 May 2020 definitively terminated the criminal proceedings against the chairman of the supervisory board of Volkswagen AG, Hans Dieter Pötsch, and the chairman of the board of management of Volkswagen AG, Dr. Herbert Diess, on suspicion of violation of the Securities Trading Act (WpHG) in connection with the diesel issue. The proceedings against Volkswagen AG as collateral participant have also been terminated to this extent.

After careful consideration and deliberation, the supervisory board of Volkswagen AG has decided to relieve Mr. Pötsch and Dr. Diess of the burden of making these payments.

Business development

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

General economic development

The global spread of the SARS-CoV-2 virus, the associated restrictions, and the resulting downturn in demand and supply meant that growth in the world economy was negative in the first half of 2020. The average rate of expansion of gross domestic product was far below the prior-year level in both the advanced economies and the emerging markets. At country level, performance in the reporting period depended on the extent to which the negative impacts of the global Covid-19 pandemic were already materializing. The governments and central banks of numerous countries throughout the world responded in some cases with substantial fiscal and monetary policy measures. This meant cuts in the already relatively low interest rates. There was a significant decline in prices for energy resources, while other commodity prices were, on average, down slightly year on year. Currencies in some emerging markets depreciated distinctly in the first half of 2020. Global trade in goods declined further in the reporting period.

Trends in the markets for passenger cars and light commercial vehicles

Global demand for passenger cars fell sharply year on year from January to June 2020 as a result of the Covid-19 pandemic (down 28.1%). The slump affected all sales regions, with above-average losses recorded in the overall markets of Western Europe and South America. The decline in demand in Asia-Pacific, North America, Central and Eastern Europe, the Middle East and Africa was smaller by comparison.

Global demand for light commercial vehicles also decreased sharply from January to June 2020 compared to the prior year.

Trends in the markets for commercial vehicles

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was much lower in the reporting period than in the prior year due to the spread of the SARS-CoV-2 virus. The bus markets were also very strongly impacted by the Covid-19 pandemic.

Trends in the markets for financial services

Demand for automotive financial services was buoyant particularly in the first three months of the first half of 2020, due among other things to the persistently low key interest rates in the main currency areas. Nevertheless, the Covid-19 pandemic put pressure on the demand for financial services in almost all regions during the reporting period. The effects of the Covid-19 pandemic were noticeable worldwide, especially in the second quarter of 2020.

Volkswagen Group deliveries

The Volkswagen Group delivered 3.9 million (5.4 million) vehicles to customers worldwide from January to June 2020. The decrease of 27.4% or 1.5 million units year on year was due almost exclusively to the Covid-19 pandemic and the measures taken worldwide to curb its spread.

Sales figures for both passenger cars and light commercial vehicles as well as for commercial vehicles declined as a result of the fall in demand. Bentley was the only Volkswagen Group brand that did not fall short of its prior-year figures. The Volkswagen Group registered declining demand year-on-year in all regions in the passenger cars and light commercial vehicles division. During the second quarter, month-on-month declines weakened again and Volkswagen saw growth in demand for group models in some individual markets. The Volkswagen Group's passenger car market share in a much weaker overall global market experiencing a sharp downturn was 12.8% (12.6%).

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

	2020	2019	Change %
Regions			
Europe/Other markets	1,653,550	2,564,113	–35.5
North America	339,976	460,572	–26.2
South America	190,352	283,358	–32.8
Asia-Pacific	1,709,220	2,057,303	–16.9
Worldwide	**3,893,098**	**5,365,346**	**–27.4**
by brands			
Volkswagen passenger cars	2,198,908	2,998,181	–26.7
Audi	707,225	906,180	–22.0
ŠKODA	426,712	620,935	–31.3
SEAT	193,419	314,279	–38.5
Bentley	4,918	4,785	2.8
Lamborghini	3,548	4,553	–22.1
Porsche	116,964	133,484	–12.4
Bugatti	33	42	–21.4
Volkswagen commercial vehicles	163,633	259,571	–37.0
Passenger cars and light commercial vehicles total	**3,815,360**	**5,242,010**	**–27.2**
Scania	30,437	51,524	–40.9
MAN	47,301	71,812	–34.1
Commercial vehicles total	**77,738**	**123,336**	**–37.0**

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

Sales, production and inventories in the Volkswagen Group

In the first six months of 2020, the Volkswagen Group's unit sales to the dealer organization[1] fell by 30.0% on the prior-year period to 3.7 million vehicles (including the Chinese joint ventures). The main reason for the decline was the negative impact of the Covid-19 pandemic. Ongoing uncertainty in connection with this and national measures introduced to contain the pandemic, such as mobility restrictions and closing stores, were accompanied by a fall in customer demand.

Between January and June 2020, the Volkswagen Group's production fell by 32.5% year on year to a total of 3.7 million vehicles due to the measures taken to stem the spread of the SARS-CoV-2 virus. The impact of national measures to contain the pandemic led to a disruption of supply chains and consequently to production stoppages within the Volkswagen Group. While the production figures for the locations in China saw a year-on-year recovery at the end of the first half of 2020, the delayed impact of the Covid-19 pandemic at the other locations worldwide caused declines in production.

Global inventories at group companies and in the dealer organization were lower on 30 June 2020 than at year-end 2019, and also below the corresponding prior-year figure.

Volkswagen Group financial services

The financial services division's products and services were impacted by the Covid-19 pandemic in the first half of 2020. The number of new financing, leasing, service and insurance contracts signed worldwide declined by 18.0% to 3.7 million. As the group's deliveries fell at a higher rate than the number of contracts signed, the ratio of leased and financed vehicles to group deliveries (penetration rate) in the financial services division's markets increased to 36.3% (34.5%) in the first six months of 2020. The total number of contracts amounted to 23.4 million as of 30 June 2020, a drop of 1.0% compared to the end of 2019.

[1] The dealer organization comprises all 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 2020 and as of 30 June 2020. While the prior-year figures for the results of operations and cash flows relate to the period from 1 January to 30 June 2019, the net assets use figures as of 31 December 2019 as comparative figures.

The Porsche SE Group distinguishes between two segments. The first segment, “PSE”, primarily includes Porsche SE holding operations including the investments accounted for at equity. The second segment, “Intelligent Transport Systems” (“ITS”), comprises the development of smart software solutions for transport logistics as well as traffic planning and traffic management. The results of operations of the Porsche SE Group are essentially the sum of the two segments, as the consolidation effects are immaterial.

Results of operations of the Porsche SE Group

The Porsche SE Group’s result after tax came to minus €329 million (€2,377 million[1]) in the first half of the fiscal year 2020. Of this, minus €318 million (€2,381 million[1]) related to the PSE segment. For the ITS segment, a result after tax of minus €11 million (minus €4 million) was derived. This included effects from the purchase price allocation amounting to minus €5 million (minus €4 million).

Results of operations of the PSE segment

The result for the PSE segment was significantly influenced by the result from the investments accounted for at equity of €299 million (€2,417 million[1]). The decrease in the result from investments accounted for at equity is largely attributable to the investment in Volkswagen AG. From ongoing equity accounting this contains a contribution of minus €380 million (€2,149 million) as well as subsequent effects from purchase price allocations of minus €37 million (minus €54 million). The decrease in the result from ongoing equity accounting reflects the impact of the Covid-19 pandemic at the level of the Volkswagen Group. The result from equity accounting also includes preliminary income from the acquisition of further ordinary shares in Volkswagen of €126 million (€322 million[1]). 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.

[1] Prior-year figures were adjusted due to the change in a purchase price allocation.

In the PSE segment, other operating expenses decreased to €9 million (€13 million), mainly due to lower legal and consulting fees compared to the prior year.

The financial result of minus €3 million (€8 million) primarily contains losses incurred from the sale of financial instruments. The prior-year value largely contains positive earnings contributions from financial instruments measured at fair value.

The decrease in the income tax expense compared to the prior-year period (€25 million) largely relates to the lower carrying amount of the investment accounted for at equity in Volkswagen AG and the associated decrease in the deferred income tax expense incurred thereon.

Results of operations of the ITS segment

The ITS segment generated revenue of €50 million (€52 million) in the reporting period. While recurring revenue from maintenance services rendered and from the rendering of hosting services was virtually unchanged year on year, revenue from license sales decreased by 15% on the prior year. Revenue from the project business increased by 11% in the first half of the year. The segment result before tax decreased from minus €4 million to minus €11 million, primarily due to the decrease in other operating income compared to the same period in the prior year stemming from the sale of shares in PTV Truckparking B.V. included in the prior year, as well as the increase in personnel expenses.

Financial position of the Porsche SE Group

Cash flow from operating activities fell to €35 million in the first half of 2020 (€741 million). Cash inflow mainly comprises income tax refunds and any interest accrued thereon. The decrease on the prior year is mainly attributable to the dividend of €753 million that had already been received in the same period in the prior year from the investment in Volkswagen AG.

There was a cash outflow from investing activities of €121 million (€290 million) in the first half of 2020. This largely resulted from payments made for acquiring further ordinary shares in Volkswagen AG of €81 million (€311 million) as well as investing in time deposits of €128 million. Sales of securities totaling €89 million had a counterbalancing effect.

There was a cash outflow from financing activities of €3 million (€3 million) in the first half of 2020. As in the prior year, dividends had not yet been paid out to the shareholders.

Cash and cash equivalents therefore decreased by a total of €88 million to €265 million (€353 million) compared to 31 December 2019.

Net liquidity of the Porsche SE Group comprises cash and cash equivalents, time deposits and securities less financial liabilities. It decreased to €505 million (€553 million) compared to 31 December 2019. Cash outflows result primarily from the acquisition of ordinary shares in Volkswagen and operating holding expenses. This was counterbalanced by cash inflows from income tax refunds including any interest accrued thereon.

Net assets of the Porsche SE Group

Compared to 31 December 2019, the Porsche SE Group's total assets decreased by €670 million to €34.9 billion as of 30 June 2020.

The Porsche SE Group's non-current assets of €34.3 billion (€34.9 billion) primarily related to the investments accounted for at equity. These included in particular the carrying amount of the investment accounted for at equity in Volkswagen AG, which decreased by €550 million to €34.0 billion. Of the decrease in the carrying amount, minus €380 million is attributable to the result from ongoing equity accounting and minus €341 million to expenses and income recognized in other comprehensive income. The latter largely consist of negative effects from currency translation and, on the other hand, positive effects from the measurement of cash flow hedges at the level of the Volkswagen Group. Likewise, effects from the subsequent measurement of the hidden reserves and liabilities of minus €37 million identified in the course of the purchase price allocations caused the carrying amount accounted for at equity to decrease. This was counterbalanced in particular by the acquisition of further ordinary shares of €81 million as well as resulting income of €126 million.

As of 30 June 2020, the intangible assets of the Porsche SE Group of €234 million (€241 million) primarily contained the goodwill of the PTV Group of €147 million (€147 million) as well as the carrying amounts for customer bases, software and brand resulting from the purchase price allocation.

Current assets of €581 million (€684 million) mainly consisted of cash and cash equivalents, time deposits and securities.

The equity of the Porsche SE Group decreased to a total of €34.6 billion (€35.3 billion) in particular due to the negative result from the at equity accounting as of 30 June 2020. At 99.1% as of 30 June 2020, the equity ratio remained constant compared to the end of the fiscal year 2019.

Related parties

With regard to significant transactions with related parties, reference is made to the note [12] to the condensed consolidated interim financial statements.

Results of operations of the Volkswagen Group

The following statements relate to the original profit/loss figures of the Volkswagen Group. This means that effects from at equity inclusion 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. It should also be noted that the group result of Porsche SE only reflects its capital share in the result of the Volkswagen Group.

In the first half of 2020, the Volkswagen Group generated revenue of €96.1 billion, down 23.2% on the prior year. In particular, lower volumes due to the Covid-19 pandemic had a negative impact, as did changes in exchange rates. In contrast, mix effects and an improved price positioning made a positive contribution. The Volkswagen Group generated 80.6% (80.8%) of its revenue abroad. Gross profit decreased to €12.9 billion (€24.7 billion); the gross margin stood at 13.4% (19.8%).

The Volkswagen Group's operating result before special items amounted to minus €0.8 billion (€10.0 billion) in the period from January to June 2020. The operating return on sales before special items fell to minus 0.8% (8.0%). The decline was mainly attributable to the negative impact of the spread of the Covid-19 pandemic; in addition to lower unit sales because of the fall in customer demand, turbulence in the commodity and capital markets meant that the fair value measurement of derivatives to which hedge accounting is not applied (in particular commodity hedges) and the measurement of receivables and liabilities denominated in foreign currencies had a negative effect. The contribution of AID to the joint venture Argo AI led to a gain of €0.8 billion. Special items in connection with the diesel issue weighed on the operating result, reducing this item by €0.7 billion (minus €1.0 billion) to minus €1.5 billion (€9.0 billion) in the reporting period. The operating return on sales fell to minus 1.5% (7.2%).

The year-on-year decline in the financial result of €0.4 billion to €0.1 billion was also attributable to the spread of the SARS-CoV-2 virus. Due to the change in discount rates used to measure liabilities, interest expenses included in the financial result were down for measurement-related reasons. Changes in share prices weighed on net income from securities and funds. The share of the result of equity-accounted investments was lower than in the prior-year period, due primarily to the lower profit generated by the Chinese joint ventures, which were mainly affected by Covid-19 during the first quarter of 2020.

The Volkswagen Group's earnings before tax fell by €10.9 billion to minus €1.4 billion in the reporting period. The result after tax amounted to minus €1.0 billion (€7.2 billion).

Opportunities and risks of future development

Opportunities and risks at the Porsche SE Group

Regarding the risk areas presented in the report on opportunities and risks at the Porsche SE Group in the combined group management report for the fiscal year 2019, there were the following changes as of the reporting date due to the effects of the Covid-19 pandemic.

In light of the Covid-19 pandemic, the Volkswagen Group withdrew its outlook for the fiscal year 2020 in April 2020, as the initial expectations could no longer be achieved in the opinion of Volkswagen's board of management. Accordingly, Porsche SE also withdrew its forecast for the group result after tax in the fiscal year 2020. The risk area “Profit contribution Volkswagen” describes the risk of the result of the Volkswagen Group attributable to Porsche SE as part of equity accounting falling short of expectations when the consolidated financial statements for the fiscal year 2019 were authorized for issue. The likelihood of occurrence of this risk has increased in line with the communication issued by Porsche SE and Volkswagen AG, with the risk area moving into the risk category “High”.

In light of the Covid-19 pandemic, in July 2020 Volkswagen AG postponed its annual general meeting originally planned for May 2020 to September 2020 and communicated a change in the proposed dividend to the prior-year level for the fiscal year 2019. Due to the associated reduction in the expected dividend inflow at the level of Porsche SE in the current year, the risk area “Dividend inflow Volkswagen” has moved into the risk category “High”. In this connection, Porsche SE has likewise adjusted its proposed dividend to the prior-year level.

Regarding the other risk areas and their risk assessments presented in the report on opportunities and risks at the Porsche SE Group in the combined group management report for the fiscal year 2019, there were no changes up to the reporting date. 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 at the Volkswagen Group

The following is based on extracts from the Report on Expected Developments, Risks and Opportunities in the half-yearly financial report 2020 of Volkswagen AG.

The global spread of the SARS-CoV-2 virus is bringing enormous disruption to all areas of everyday life and the economy, and is also associated with turbulence on the commodity and capital markets. The consequences, particularly for the further development of individual economies and the world economy as a whole, cannot reliably be predicted at the current time. A second wave with growing numbers of new infections could also add to the strain and uncertainty. Despite this, the Volkswagen Group expects economic recovery to commence in the course of 2020.

All areas of the Volkswagen Group are affected by the Covid-19 pandemic, especially sales due to a fall in customer demand, production and the supply chains. There are risks arising in particular from a sustained fall in demand and an increasing intensity of competition. These risks could be mitigated by government economic programs. Volkswagen also envisages challenges, especially associated with production, specifically with regard to stable supply chains and protecting the health of its staff. The Volkswagen Group has put in place increased hygiene and protective measures to ensure plants can operate. The Volkswagen Group's board of management expects a negative impact on business operations at all locations worldwide. As a result, Volkswagen will not fulfill the initial expectations for all the group's core performance indicators in fiscal year 2020.

Furthermore, the status of the legal risks at the level of the Volkswagen Group was updated in the half-yearly financial report 2020 of the Volkswagen Group. Beyond this, there were no significant changes in the reporting period of the Volkswagen half-yearly financial report compared with the disclosures in the "Opportunities and risks at the Volkswagen Group" section in the combined group management report in the annual report of Porsche SE for the fiscal year 2019.

In particular, based on the information as it exists and has been established, there continue to be no conclusive findings or assessments available to the board of management of Volkswagen AG as of the date of publication of the Volkswagen half-yearly report 2020 regarding the facts described by Volkswagen that would suggest that a different assessment of the associated risks should have been made.

Outlook

Anticipated development of the Volkswagen Group

The Volkswagen Group's board of management anticipates a negative growth rate in the world economy in 2020 as a result of the spread of the SARS-CoV-2 virus. Volkswagen also continues to believe that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects will be negatively impacted by continuing geopolitical tensions and conflicts. Volkswagen expects both the advanced economies and the emerging markets to experience a marked decline in economic performance. Despite this, it expects economic recovery to commence in the course of 2020.

In response to the Covid-19 pandemic, Volkswagen has developed scenarios for the development of the passenger car markets in individual regions in 2020 which, for example, also take account of the trends currently being experienced in China. The scenarios reflect the different timings of the spread of the Covid-19 pandemic in the various geographic regions. In all, Volkswagen expects the volume of global demand for new vehicles in 2020 to be between 15 and 20% lower than it was the prior year. The markets are expected to continue to recover in the second half of the year.

Trends in the markets for light commercial vehicles in the individual regions will also be mixed in 2020; on the whole, Volkswagen anticipates a marked fall in demand due to Covid-19.

In the markets relevant for the commercial vehicles business area, the Volkswagen Group expects a substantial year-on-year fall in 2020 in new registrations for both mid-sized and heavy trucks with a gross weight of more than six tonnes and for buses.

In the view of the Volkswagen Group, automotive financial services will again be very important for vehicle sales worldwide in 2020.

The Volkswagen's brand diversity, its presence in all major world markets, its 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.

The Volkswagen Group anticipates that deliveries to Volkswagen Group customers will be significantly down on the prior year in 2020 due to the impact of the Covid-19 pandemic.

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

Volkswagen expects the revenue of the Volkswagen Group and its divisions to fall significantly below the prior-year level in 2020 as a result of the Covid-19 pandemic. It anticipates a severe year-on-year decline in the operating result before and including special items for the Volkswagen Group and its passenger cars business area as well as in the operating result for the commercial vehicles business area. In the financial services division, Volkswagen expects the pandemic to have less of an impact on the operating result in 2020 due to its business model. However, it forecasts a significant drop in the operating result compared with the prior year. Overall, the Volkswagen Group expects its operating result for 2020 before and including special items to be in positive territory.

Anticipated development of the Porsche SE Group

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

Given the framework conditions described above, which are currently largely determined by the Covid-19 pandemic, there is unusual uncertainty regarding business development at the level of the Volkswagen Group, which materially restricts forecasting ability at the level of the Porsche SE Group. On 16 April 2020, the board of management of Porsche SE decided to no longer uphold the forecast for the group result after tax for the fiscal year 2020 presented in the combined group management report of Porsche SE for the fiscal year 2019. This decision still applies. It is not currently possible to make a reliable and realistic forecast. However, the Porsche SE Group does expect a positive group result after tax for the fiscal year 2020.

The previous forecast on net liquidity of the Porsche SE Group remains unaffected by this development according to current estimates. Without taking additional investments into account, the forecast for net liquidity lies in a corridor of €0.4 billion to €0.9 billion as of 31 December 2020.

Stuttgart, 7 August 2020

Porsche Automobil Holding SE
The board of management

Glossary

Selected terms at a glance

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

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

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

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

Condensed consolidated interim financial statements

Consolidated income statement of Porsche Automobil Holding SE for the period from 1 January to 30 June 2020

€ million	Note	**1st half of 2020**	1st half of 2019
Revenue	[1]	50	52
Changes in inventories and own work capitalized		0	0
Other operating income		3	5
Cost of materials		–7	–7
Personnel expenses		–43	–39
Amortization and depreciation		–11	–10
Other operating expenses		–18	–24
Result from investments accounted for at equity	[2]	–300	2,418[1]
Result before financial result		**–326**	**2,394**
Finance costs		–2	–2
Other financial result		–1	9
Financial result		**–3**	**7**
Result before tax		**–329**	**2,402**
Income taxes	[3]	0	–25
Result after tax		**–329**	**2,377**
thereof attributable to			
shareholders of Porsche Automobil Holding SE		–329	2,377
non-controlling interests		0	0
Earnings per ordinary share (basic and diluted)		–1.08	7.76[1]
Earnings per preference share (basic and diluted)		–1.07	7.76[1]

[1] Prior-year figures were adjusted due to the change in a purchase price allocation.

Consolidated statement of comprehensive income of Porsche Automobil Holding SE for the period from 1 January to 30 June 2020

€ million	**1st half of 2020**	1st half of 2019
Result after tax	**–329**	**2,377**[1]
Remeasurement of pensions	0	–7
Deferred tax on remeasurement of pensions	0	2
Other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity (before tax)	–44	–2,019
Deferred tax on other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity	21	598
Deferred tax on investments accounted for at equity	0	22
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods	–22	–1,403
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)	–179	–250
Deferred tax on other comprehensive income to be reclassified to profit or loss in subsequent periods from investments accounted for at equity	–139	110
Deferred tax on investments accounted for at equity	5	2
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	–314	–138
Other comprehensive income after tax	**–336**	**–1,541**
Total comprehensive income	**–665**	**836**
thereof attributable to		
shareholders of Porsche Automobil Holding SE	–665	836
non-controlling interests	0	0

[1] The prior-year figure was adjusted due to the change in a purchase price allocation.

Consolidated balance sheet of Porsche Automobil Holding SE as of 30 June 2020

€ million	Note	**30/6/2020**	31/12/2019
Assets			
Intangible assets	[4]	234	241
Property, plant and equipment		36	37
Investments accounted for at equity	[5]	34,038	34,597
Other financial assets		28	28
Other assets		3	3
Deferred tax assets		2	2
Non-current assets		**34,341**	**34,908**
Inventories		4	4
Trade receivables		16	24
Other financial assets		4	5
Other assets		11	25
Income tax receivables		2	34
Securities		57	147
Time deposits		221	93
Cash and cash equivalents		265	353
Current assets		**581**	**684**
		34,922	**35,592**
Equity and liabilities			
Subscribed capital	[6]	306	306
Capital reserves	[6]	4,884	4,884
Retained earnings	[6]	34,098	34,492
Other reserves (OCI)	[6]	–4,669	–4,399
Equity attributable to shareholders of Porsche SE		34,620	35,283
Non-controlling interests	[6]	1	1
Equity		**34,621**	**35,284**
Provisions for pensions and similar obligations		46	45
Other provisions	[7]	20	27
Financial liabilities		34	35
Other financial liabilities		0	0
Other liabilities		0	0
Deferred tax liabilities		94	100
Non-current liabilities		**194**	**206**
Provisions for pensions and similar obligations		1	1
Other provisions	[7]	36	38
Trade payables		3	4
Financial liabilities		5	5
Other financial liabilities		15	13
Other liabilities		47	40
Income tax liabilities		1	1
Current liabilities		**107**	**102**
		34,922	**35,592**

Consolidated statement of changes in equity of Porsche Automobil Holding SE for the period from 1 January to 30 June 2020

€ million	Equity attributable to the shareholders of Porsche SE						
	Subscribed capital	Capital reserves	Retained earnings	Other reserves (OCI)	Total	Non-controlling interests	Total equity
As of 1 January 2019	306	4,884	30,601	–2,376	33,415	1	33,416
Result after tax			2,377[1]		2,377	0	2,377
Other comprehensive income after tax				–1,541	–1,541	0	–1,541
Total comprehensive income			2,377	–1,541	836	0	836
Dividend			–676[2]		–676	0	–676
Other changes in equity arising from the level of investments accounted for at equity			142	90	232		232
As of 30 June 2019	**306**	**4,884**	**32,444**	**–3,827**	**33,807**	**1**	**33,808**
As of 1 January 2020	306	4,884	34,492	–4,399	35,283	1	35,284
Result after tax			–329		–329	0	–329
Other comprehensive income after tax				–336	–336	0	–336
Total comprehensive income			–329	–336	–665	0	–665
Dividend					0	0	0
Other changes in equity arising from the level of investments accounted for at equity			–65	66	2		2
As of 30 June 2020	**306**	**4,884**	**34,098**	**–4,669**	**34,620**	**1**	**34,621**

1 The prior-year figure was adjusted due to the change in a purchase price allocation.
2 Distribution of a dividend of €2.204 per ordinary share; total €337,487,500
Distribution of a dividend of €2.210 per preference share; total €338,406,250

Equity is explained in note [6].

Consolidated statement of cash flows of Porsche Automobil Holding SE for the period from 1 January to 30 June 2020

€ million	**1st half of 2020**	1st half of 2019
1. Operating activities		
Result after tax	–329	2,377[1]
Result from investments accounted for at equity	300	–2,418[1]
Amortization and depreciation	11	10
Gains (-) / losses (+) from the disposal of intangible assets and property, plant and equipment	0	–3
Interest expenses	2	2
Interest income	–1	0
Income tax expense	0	25
Other non-cash expenses (+) and income (-)	0	–7
Change in other assets	5	–1
Change in provisions for pensions	0	1
Change in other provisions	–7	–4
Change in other liabilities	8	7
Dividends received		753
Interest paid	–2	–1
Interest received	17	0
Income tax paid	–1	0
Income tax received	33	0
Cash flow from operating activities	**35**	**741**
2. Investing activities		
Cash paid for the acquisition of intangible assets and property, plant and equipment	–1	–3
Cash received from the disposal of intangible assets and property, plant and equipment	0	0
Cash paid for the acquisition of shares in non-controlling interests		0
Cash inflows from disposal of subsidiaries		3
Cash paid for the acquisition of shares in investments accounted for at equity	–81	–311
Cash paid for the acquisition of other shares in entities		–1
Change in investments in securities	89	–54
Change in investments in time deposits	–128	75
Cash flow from investing activities	**–121**	**–290**
3. Financing activities		
Dividends paid to shareholders of Porsche SE	0	0
Cash paid to minority interests	0	
Cash paid for settlement of financial liabilities	–3	–3
Cash flow from financing activities	**–3**	**–3**
4. Cash and cash equivalents		
Change in cash and cash equivalents (subtotal of 1 to 3)	–88	448
Cash and cash equivalents as of 1 January	353	630
Cash and cash equivalents as of 30 June	**265**	**1,077**

[1] Prior-year figures were adjusted due to the change in a purchase price allocation.

Note [8] contains further notes to 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 condensed consolidated interim financial statements of Porsche SE as of 30 June 2020 were prepared according to Sec. 115 WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act] as well as in accordance with the International Accounting Standard (IAS) 34 “Interim Financial Reporting”. Furthermore, the consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union (EU).

The half-yearly financial reporting 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 7 August 2020. They were discussed with the supervisory board’s audit committee before publication.

Furthermore, the half-yearly financial report was reviewed by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as defined by Sec. 115 WpHG.

Scope of consolidation

The condensed consolidated interim financial statements of Porsche SE for the first half of 2020 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.

The scope of consolidation did not change in the reporting period. For further information, please refer to the consolidated financial statements of Porsche SE as of 31 December 2019 in the section “List of shareholdings of the group as of 31 December 2019”.

In the period from 17 March 2020 to 20 April 2020, Porsche SE acquired a total of 0.2% of the ordinary shares in Volkswagen AG for €81 million in capital market transactions. As of 31 December 2019 and the reporting date, Porsche SE held 53.1% and 53.3% of the ordinary shares in Volkswagen AG, respectively.

Accounting policies

Porsche SE implemented all accounting standards endorsed by the EU and those mandatory as of 1 January 2020.

The same accounting policies and consolidation principles were used to prepare the consolidated interim financial statements and determine the comparative figures as those used in the consolidated financial statements as of 31 December 2019. A detailed description of these methods is published in the notes to the consolidated financial statements as of 31 December 2019 in the "Accounting policies" section. Moreover, the effects of 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 2020:

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. The amount of the provisions for litigation costs recognized continues to correspond to the respective attorneys' fees and litigation expenses anticipated in this connection. 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.

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 accounting judgments, estimates and assumptions at the level of the Volkswagen Group are also presented below. In this connection, reference is made to new developments/findings on the diesel issues at the level of the Volkswagen Group.

On 18 September 2015, the US Environmental Protection Agency (EPA) publicly announced in a notice of violation that irregularities in relation to nitrogen oxide (NOx) emissions had been discovered in emissions tests on certain vehicles of the Volkswagen Group with type 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 2019 in the section “Accounting judgments, estimates and assumptions of the management at the level of the Volkswagen Group”.

In the first half of the fiscal year 2020, additional expenses of €0.7 billion (€1.0 billion) largely for legal risks had to be recognized in this connection at the level of the Volkswagen Group. Furthermore, there continue to be no conclusive findings or assessments of facts available based on the information available and gained at the level of the Volkswagen Group that would suggest that a different assessment of the associated risks should have been made.

Notes to the consolidated income statement

[1] Revenue

Revenue primarily relates to the ITS segment (see note [9]) and breaks down by main category as follows:

€ million	**1st half of 2020**	1st half of 2019
Licenses	11	13
Maintenance	16	16
Projects	13	12
Hosting	9	10
Others	0	1
	50	**52**

[2] Result from investments accounted for at equity

The result from investments accounted for at equity breaks down as follows:

€ million	**1st half of 2020**	1st half of 2019
Income from first-time at equity accounting of newly acquired shares	126	322[1]
Result from ongoing at equity accounting before purchase price allocations	–381	2,150
Effects from purchase price allocations	–38	–55
Impairments	–8	
	–300	**2,418**

[1] The prior-year figure was adjusted due to the change in a purchase price allocation.

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

In the period from 17 March 2020 to 20 April 2020, Porsche SE acquired a total of 0.2% of the ordinary shares in Volkswagen AG for €81 million in capital market transactions. This reflects a capital share of around 0.1%. This increased Porsche SE’s shareholding in Volkswagen AG to 53.3% of ordinary shares and 31.4% of subscribed capital.

The acquisitions resulted overall in preliminary income from first-time at equity accounting of €126 million. This income results from the difference between the pro rata revalued equity of the Volkswagen Group and the acquisition cost of the ordinary shares in Volkswagen AG. The pro rata revalued equity was recognized at the amortized carrying amounts of the last purchase price allocation from the acquisitions in the fiscal year 2018/2019. 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.

At the time of preparing the condensed consolidated interim financial statements, the purchase price allocation is preliminary, particularly with regard to the measurement of the brands and investments accounted for at equity. New findings at the level of the Volkswagen Group may result in further adjustments.

The change in the result from ongoing equity accounting is largely attributable to the decrease in the group result after tax of the Volkswagen Group due to the negative impact of the spread of the Covid-19 pandemic. Reference is made to the explanations presented in the "Results of operations of the Volkswagen Group" section in the interim group management report.

[3] Income tax

The decrease in the income tax expense compared to the prior-year period (€25 million) largely relates to the lower carrying amount of the investment in Volkswagen AG accounted for at equity and the associated decrease in the deferred tax expense incurred thereon.

[4] Intangible assets

The intangible assets of the Porsche SE Group of €234 million primarily contain the goodwill of the PTV Group of €147 million allocated to the ITS segment. The ITS segment corresponds to the cash-generating unit here.

Due to the Covid-19 pandemic, goodwill was tested for impairment as of 30 June 2020. Porsche SE currently assumes that the Covid-19 pandemic is a temporary event that will not have any lasting negative impact on the long-term business performance of the cash-generating unit.

The recoverable amount of the cash-generating unit, which was compared to the carrying amount of the cash-generating unit including goodwill during the impairment test, is the value in use determined on the basis of a discounted cash flow method.

In the course of impairment testing of goodwill as of 30 June 2020, last year's impairment test was adjusted to reflect current expectations based on the updated business plan of the PTV Group. For planning purposes, it was primarily assumed that the PTV Group will be able to generate additional margin improvements within the planning horizon. Furthermore, the weighted average after-tax cost of capital was updated to 30 June 2020. This amounted to 6.8% (7.4%) as of the reporting date. The corresponding weighted average pre-tax cost of capital was 8.5% (9.4%).

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 10%, an isolated reduction of the sustainable annual growth rate by one percentage point or an isolated increase in the average weighted cost of capital by one percentage point would lead to an impairment of goodwill.

The value in use determined in the impairment test was above the carrying amount of the cash-generating unit including goodwill. The sensitivity analysis also yielded a value in use that was higher than the carrying amount in all of the scenarios considered. As a result, there was no need to recognize an impairment loss as of 30 June 2020.

[5] Investments accounted for at equity

The market value of Porsche SE's investment in Volkswagen AG amounts to €22,568 million as of 30 June 2020 (€27,169 million) and is thus below the carrying amount of the investment accounted for at equity of €34,036 million (€34,585 million).

Due to the global drop in demand as well as interruptions in production, which are partly still ongoing, the Covid-19 pandemic has had a negative impact on the Volkswagen Group's financial position and results of operations, and a corresponding pro rata impact on the net assets and results of operations of the Porsche SE Group, in the first half of the year.

For these reasons, the investment in Volkswagen AG was tested for impairment as of 30 June 2020. As Porsche SE currently assumes that the Covid-19 pandemic is a temporary event that will not have any lasting negative impact on the business performance of the Volkswagen Group, the period from 2020 to 2024 covered by the previous year's impairment test was adjusted to reflect current expectations with regard to overall market developments and the estimated unit sales derived therefrom. Furthermore, the weighted average cost of capital was updated to 30 June 2020. This amounted to 6.8% (6.9%) as of the reporting date.

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 2020.

In addition, in light of the Covid-19 pandemic, the investment in INRIX was tested for impairment as of 30 June 2020. The test revealed an impairment loss of €7 million.

[6] 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 around 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 if net profit is available for distribution.

[7] Other provisions

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

	30/6/2020			31/12/2019		
€ million	current	non-current	Total	current	non-current	Total
Provisions for bonuses and personnel costs	4	1	5	6	1	7
Provisions for costs of litigation	17	17	34	16	24	40
Sundry other provisions	15	2	17	16	2	18
	36	**20**	**56**	**38**	**27**	**64**

Other notes

[8] Consolidated statement of cash flows

In the same period in the prior year, the cash flow from operating activities contained the dividend of Volkswagen AG. No dividends were received in the reporting period because the annual general meeting of Volkswagen was postponed until 30 September 2020 and thus also the resolution on the appropriation of profits.

In connection with the capitalized tax refund claims as well as associated interest on tax refunds from tax field audits for the assessment periods 2009 to 2013, income tax of €33 million (€0 million) as well as interest of €17 million (€0 million) was recognized as cash inflow.

[9] Segment reporting

The Porsche SE Group distinguishes between two segments. The first segment, “PSE”, contains Porsche SE’s holding operations including the investments in VW and INRIX accounted for at equity as well as the fully consolidated alternative investment fund and additional investments. The second segment, “Intelligent Transport Systems” (“ITS”), comprises the development of smart software solutions for transport logistics, traffic planning and traffic management. 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.

As the two segments exceed the quantitative thresholds prescribed by IFRS 8, they are subject to separate reporting. Combining the two segments pursuant to IFRS 8.12 is not possible due to a lack of comparable economic characteristics.

€ million	PSE	ITS	Total segments	Reconciliation	**Group 30/6/2020**
Revenue from external third parties	0	50	50	0	50
Result after tax	–318	–11	–329		–329

€ million	PSE	ITS	Total segments	Reconciliation	Group 30/6/2019
Revenue from external third parties	0	52	52	0	52
Result after tax	2,381[1]	–4	2,377		2,377

[1] The prior-year figure was adjusted due to the change in a purchase price allocation.

[10] Disclosures on financial instruments

The principles and methods on fair value measurements remain unchanged on the prior year. Detailed explanations can be found in the consolidated financial statements as of 31 December 2019 under “Accounting policies”.

The financial instruments measured at fair value through profit and loss largely comprise securities and investments in technology start-ups. In the prior year, this category also contained derivatives.

The carrying amount of current financial assets and liabilities not at fair value through profit or loss provides a reasonable approximation of their fair value. The reported fair values of the non-current liabilities measured at amortized cost are calculated using observable parameters by means of discounted cash flow calculations.

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:

	30/6/2020				
	Measured at fair value	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	34,038	34,038
Other financial assets	27	0	0	n/a	28
Current assets					
Trade receivables	n/a	16	16	n/a	16
Other financial assets	n/a	4	4	n/a	4
Securities	47	10	10	n/a	57
Time deposits	n/a	221	221	n/a	221
Cash and cash equivalents	n/a	265	265	n/a	265
Non-current liabilities					
Financial liabilities	n/a	11	11	23	34
Other financial liabilities	n/a	0	0	n/a	0
Current liabilities					
Trade payables	n/a	3	3	n/a	3
Financial liabilities	n/a	1	1	4	5
Other financial liabilities	n/a	15	15	n/a	15

	31/12/2019				
	Measured at fair value		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	34,597	34,597
Other financial assets	27	0	0	n/a	28
Current assets					
Trade receivables	n/a	24	24	n/a	24
Other financial assets	0	4	4	n/a	5
Securities	147	n/a	n/a	n/a	147
Time deposits	n/a	93	93	n/a	93
Cash and cash equivalents	n/a	353	353	n/a	353
Non-current liabilities					
Financial liabilities	n/a	11	11	24	35
Other financial liabilities	n/a	0	0	n/a	0
Current liabilities					
Trade payables	n/a	4	4	n/a	4
Financial liabilities	n/a	1	1	4	5
Other financial liabilities	0	13	13	n/a	13

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, interest rate curves, index values and exchange rates are used as key parameters. The presented fair values of the assets are determined using pricing methods, present value methods or the net asset value approach. Fair values of financial instruments in level 3 are calculated using inputs that are not based on observable market data. Non-derivative current other financial liabilities measured at fair value are calculated using Black-Scholes models and therefore represent measurements according to level 3.

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	**30/6/2020**	Level 1	Level 2	Level 3
Financial instruments at fair value				
Non-current other financial assets	27			27
Securities	47	19	28	

€ million	31/12/2019	Level 1	Level 2	Level 3
Financial instruments at fair value				
Non-current other financial assets	27			27
Current other financial assets	0	0	0	
Securities	147	62	85	
Current other financial liabilities	0	0	0	0

Due to changes in the selection of price sources in the reporting period, transfers from level 1 to level 2 of €3 million were performed for securities.

Non-current other financial assets contain investments in technology start-ups. The fair value of these assets is based on information derived from recently performed financing measures. From this measurement, income of €6 million was recognized in the other financial result in the prior year.

The fair value of other financial liabilities in the prior year, which was allocated to level 3, was due to an earn-out obligation which was recognized as contingent consideration as part of the acquisition of the PTV Group.

[11] 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.

[12] 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 2020**	1st half of 2019	**1st half of 2020**	1st half of 2019
Porsche and Piëch families	0			
Associates	0	5	2	1
	0	**5**	**2**	**1**

	Receivables		Liabilities	
€ million	**30/6/2020**	31/12/2019	**30/6/2020**	31/12/2019
Porsche and Piëch families	0			
Associates	0	0	13	12
	0	**0**	**13**	**12**

[13] 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 2020.

Stuttgart, 7 August 2020

Porsche Automobil Holding SE
The board of management

Hans Dieter Pötsch Dr. Manfred Döss Lutz Meschke

Review report

On completion of our review, we issued the following unqualified review report dated 7 August 2020. This report was originally prepared in German. In case of ambiguities the German version takes precedence.

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 2020 to 30 June 2020, 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.

We draw attention to the information provided by the executive directors in the interim group management report sections "Significant events und developments at the Porsche SE Group", "Significant events und developments at the Volkswagen Group", "Opportunities and risks of the Porsche SE Group" and "Opportunities and risks of the Volkswagen Group", which explain that Porsche SE continues to be affected by the diesel issue, mainly through its result from investments accounted for at equity as well as due to the development of the proportional market capitalization of the preference and ordinary shares.

With regard to the investment in Volkswagen AG, the executive directors of Porsche SE see in particular the risk that due to the diesel issue the company will be subject to further burdens on the proportionate result attributable to it as part of equity accounting. These burdens could result in particular from new findings regarding the amount of the risk provisioning recognized in the consolidated financial statements of Volkswagen AG or the effects of the diesel issue on the operation business and/or the financing costs of the Volkswagen Group which exceed the extent assumed in the planning. As the impairment test of the investment in Volkswagen AG is based on the current planning of the Volkswagen Group, unexpected additional burdens incurred to mitigate the diesel issue could result in an impairment loss for the investment in Volkswagen AG.

The provisions for legal risks in connection with the diesel issue recognized in the consolidated interim financial statements of Volkswagen AG as of 30 June 2020 are based on the information of the executive directors of Volkswagen AG as presented. Due to the uncertainties necessarily associated with pending and expected litigation, it cannot be ruled out that the legal risk estimation by the executive directors of Volkswagen AG could change in the future.

Legal risks from claims brought against Porsche SE in connection with the diesel issue may also have an effect on Porsche SE's net assets, financial position and results of operations.

Our opinions on the condensed consolidated interim financial statements and on the interim group management report are not modified in respect of these matters.

Stuttgart, 7 August 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Harald Kayser	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, 7 August 2020

Porsche Automobil Holding SE
The board of management

Hans Dieter Pötsch Dr. Manfred Döss Lutz Meschke

Financial calendar

2 Oktober 2020
Annual general meeting (virtual)

10 November 2020
Group quarterly statement 3rd Quarter 2020

This half-yearly financial report is available in German and English.
In case of doubt the German version is binding.

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