PORSCHE SE

Half-yearly financial report

1 January – 30 June

2021

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	Commercial Vehicles	SCANIA	MAN

VOLKSWAGEN FINANCIAL SERVICES
AKTIENGESELLSCHAFT

Further Investments

PTV GROUP

Minority stakes

INRIX | Markforged | SEURAT | AEVA | AURORALABS

Status 30 June 2021

Content

Interim group management report

1 January – 30 June 2021

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 2021, the Porsche SE Group had 894 employees (916 employees).

Porsche SE is a holding company with investments in the areas of mobility and industrial technology. In particular, it holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft, Wolfsburg ("Volkswagen AG", "Volkswagen" or "VW"), one of the leading automobile manufacturers in the world. 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. In addition to the investment in Volkswagen AG, the Porsche SE Group holds 100% of the shares in PTV Planung Transport Verkehr AG, Karlsruhe ("PTV AG"), as well as non-controlling interests in five technology companies based in the USA and Israel. At the end of July, Porsche SE invested in an additional technology company in Germany.

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 2021, unless reference is made in this section to another time period.

Global spread of the coronavirus SARS-CoV-2

Throughout the whole of 2020, the global spread of the SARS-CoV-2 virus brought enormous disruption to all areas of everyday life and the economy.

The mostly dynamic increase in the rate of infection continued in many places throughout the first quarter of 2021. This was accompanied by ongoing disruptions – such as contact and mobility restrictions or limitations on business activities – in many parts of the world. With the increased availability of testing capacities and vaccines, some countries have permitted the extensive reopening of everyday life and the economy. In China in particular, the measures taken have resulted in a removal of restrictions. In most of the world, infection rates declined in the second quarter of 2021, leading to further easing of the measures taken to contain the pandemic. However, some countries in South and Central America, Asia and Europe recorded a new rise in infections, which was primarily due to new variants of the SARS-CoV-2 virus. Some restrictions returned in response to the situation.

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.

In the first half of 2021, the group result after tax and non-controlling interests of the Volkswagen Group increased to €8.1 billion compared to minus €1.2 billion in the prior-year period, in which the result had been negatively influenced by special items in connection with the diesel issue of minus €0.7 billion. Furthermore, the Covid-19 pandemic and the measures taken around the world to contain it had had a significant impact on business (see also sections “Business development” and “Results of operations of the Volkswagen Group”). At the level of the Volkswagen Group, no material special items in connection with the diesel issue in the first six months of fiscal year 2021 were recognized.

Volkswagen AG’s preferred and ordinary shares also recovered from the losses caused by the pandemic, with prices up by 39% and 63% respectively compared to the end of 2020.

As of 30 June 2021, no indicators for an impairment loss have been identified on the basis of the earnings forecasts and share performance for the investment in Volkswagen AG accounted for at equity. However, an impairment in the value of the investment cannot be ruled out, particularly in the event of any sustained decline in earnings due to the Covid-19 pandemic and/or a further increase in the costs of mitigating the diesel issue. In addition, there may be 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 2020.

Annual general meeting

On 23 July 2021, Porsche SE held its annual general meeting as a virtual event for the second time. Resolutions included the distribution of a dividend for the fiscal year 2020 of €2.210 per preference share and €2.204 per ordinary share, unchanged on the prior year. The total distribution therefore comes to around €676 million.

The members of the board of management and those of the supervisory board holding office in the fiscal year 2020 were exonerated. Furthermore, the shareholders approved the remuneration system for the members of the board of management as well as the remuneration of the members of the supervisory board.

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. 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. The next hearings are scheduled to begin on 2 September 2021. 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. No significant new developments occurred in this proceeding during the reporting period. 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 199 actions are currently pending at first instance. After withdrawal of a few lawsuits, the actions concern payment of damages, if quantified, in the total amount of approximately €913.4 million (plus interest) and in part establishment of liability for damages. In a majority of the proceedings pending before the Regional Court of Stuttgart, the plaintiff side had filed motions for recusal. To the extent that decisions have been made on these motions for recusal, they have been dismissed. The Higher Regional Court of Stuttgart has lately rejected the immediate appeals of numerous plaintiffs against the rejection of their motions for recusal as being without merit. After a partial withdrawal of claims, 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 €8.7 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 had 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. Porsche SE considers these actions pending against it before the Higher Regional Court of Stuttgart to be without merit.

A KapMuG proceeding, initiated by order for reference of the Regional Court of Stuttgart of 28 February 2017, is pending before the Higher Regional Court of Stuttgart. On 22 October 2020, the Higher Regional Court of Stuttgart appointed a model case plaintiff. The first oral hearing took place on 28 July 2021. The next oral hearing is set to continue on 9 and 10 November 2021.

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 21 September 2021.

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.

The regulatory fining proceedings pursuant to Sec. 30, 130 OWiG [“Ordnungswidrigkeitengesetz”: German Regulatory Offenses Act] against Porsche SE initiated in connection with the discontinued investigation proceedings on suspicion of market manipulation against (former) board members has meanwhile been terminated.

In connection with the diesel issue a derivative action against Porsche SE and (former) members of the management and supervisory board of Volkswagen AG and others was filed before the Supreme Court of the State of New York, County of New York in April 2021. The plaintiffs claim to be shareholders of Volkswagen AG and assert with their action alleged claims of Volkswagen AG on behalf of Volkswagen AG. The action is inter alia based on the accusation of an alleged violation of duties vis-à-vis Volkswagen AG pursuant to AktG [“Aktiengesetz”: German Stock Corporation Act] and the German Corporate Governance Code (DCGK)). The plaintiffs request inter alia to declare that the defendants have breached their respective duties vis-à-vis Volkswagen AG and to determine and award to Volkswagen AG the compensation of the alleged damages (plus interest) sustained by it as a result of the alleged violation of duties. The action has not yet been served to Porsche SE.

Significant events and developments at the Volkswagen Group

In the second quarter of fiscal year 2021, the following significant events and developments arose at the Volkswagen Group:

Effects of the Covid-19 pandemic

In the first half of 2021, the Volkswagen Group benefited from a recovering global economy despite persistent negative effects from the Covid-19 pandemic. 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

At the end of May 2021, ŠKODA announced that it would introduce efficient energy storage units for authorized ŠKODA dealerships in partnership with the Czech technology company IBG Česko, enabling a second life cycle for used batteries from the all-electric Enyaq iV and the plug-in hybrid Superb iV and Octavia iV models. The energy storage units for sustainably generated electricity have a capacity of up to 328 kWh, can be scaled up or down individually and are designed so that the batteries can be exchanged in just a few steps. Dealerships can use them to charge electric vehicles or to power lighting and air conditioning in their showrooms and workshops.

In mid-June 2021, Volkswagen and the Swedish battery cell producer Northvolt AB (Northvolt) agreed to concentrate production of Volkswagen premium cells in Skellefteå, Sweden. In connection with this, Volkswagen participated in a financing round at Northvolt that was proportionate to its shareholding, investing a further US$650 million in the company. Volkswagen also increased its existing convertible loan by a further €190 million and, at the same time, converted this part of the loan to preferred shares. This has increased Volkswagen’s ownership interest in Northvolt AB to 23.6%. Production of premium cells at Northvolt in Skellefteå is to begin in 2023.

At the end of June 2021, Dr. Ing. h.c. F. Porsche AG (Porsche AG) announced the founding of Cellforce Group GmbH, a joint venture with the Fraunhofer Institute spin-off Customcells GmbH. The aim is to develop and produce high-performance battery cells, initially to be used in motorsport from 2024. The planned production plant in the Stuttgart area will have a capacity of up to 100 MWh per year.

Takeover of Navistar

In November 2020, TRATON SE (TRATON) and Navistar International Corporation (Navistar), a leading US truck manufacturer, announced the signing of a binding merger agreement. On 1 July 2021, after presenting all regulatory approvals, TRATON acquired all outstanding ordinary shares in

Navistar for a purchase price of US$3.7 billion. TRATON now holds 100% of the shares in Navistar.

Merger of MAN SE with TRATON SE

At the end of February 2020, TRATON announced its intention to merge MAN SE (MAN) with TRATON. The shares held by non-controlling interest shareholders of MAN are to be transferred to TRATON against payment of an appropriate cash settlement in the context of this merger (merger squeeze-out). TRATON holds 94.36% of MAN's share capital and announced its offer of a cash settlement to MAN's non-controlling interest shareholders in the amount of €70.68 per share on 8 May 2021. The merger of MAN with TRATON was agreed by the annual general meeting of MAN SE on 29 June 2021. The merger squeeze-out will take effect upon the entry of the transfer resolution and of the merger itself in the commercial register for the headquarters of TRATON SE and MAN SE.

Settlement agreements for damages

At the end of March 2021, the supervisory board of Volkswagen AG announced the completion of the investigation initiated in October 2015 into the causes of and those responsible for the diesel issue. The board resolved to claim damages from Prof. Dr. Martin Winterkorn, former chair of the board of management of Volkswagen AG, and from Mr. Rupert Stadler, former member of the board of management of Volkswagen AG and former chair of the board of management of AUDI AG, for breach of their duty of care under stock corporation law. The resolution was based on identified negligent breaches of duty. The investigation found no breaches of duty by other members of the Volkswagen AG board of management. The investigation covered all members of the board of management who were in office during the relevant period.

In June 2021, agreements on damage payments were reached in this connection with the goal of achieving speedy, legally certain, and final resolution of the diesel issue as far as the civil liability of members of governing bodies is concerned. To this end, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Winterkorn and Mr. Stadler respectively in connection with the diesel issue. Prof. Winterkorn's damage payment amounts to €11.2 million and that of Mr. Stadler to €4.1 million. Volkswagen has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement).

In addition, agreement was reached on damage payments by a former member of Audi's board of management and by a former member of Porsche AG's board of management.

The annual general meeting of Volkswagen AG gave its approval to the settlement agreements on damage settlements in connection with the diesel issue on 22 July 2021.

Antitrust investigation

In April 2019, the European Commission issued an initial statement of objections to Volkswagen AG, AUDI AG and Porsche AG in connection with the Commission's antitrust investigation of the automobile industry. These objections stated the European Commission's preliminary evaluation of the matter. Following entry into a formal settlement procedure, in April 2021 the Commission issued a revised statement of objections raising charges that were considerably narrower. On this basis, a settlement decision was issued on 8 July 2021 concluding the administrative action and assessing a total fine of roughly €502 million against the three brands. The subject matter scope of the decision is limited to the cooperation of German automobile manufacturers on individual technical questions in connection with the development and introduction of SCR (selective catalytic reduction) systems for passenger cars that were sold in the European Economic Area. The manufacturers are not charged with any other misconduct such as price fixing or allocating markets and customers.

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 and the associated restrictions continued in the first half of 2021 to varying degrees. The progress made by many countries in administering vaccines to their populations had a positive effect, while the emergence of new variants of the virus led to a renewed rise in infections at a national level. Compared to the prior-year period, the global economy recorded positive growth. In both the advanced economies and the emerging markets, the average rate of expansion of gross domestic product (GDP) was far higher than the negative growth seen in the first half of 2020. At a national level, performance during the reporting period was in part dependent on the extent to which the negative impacts of the Covid-19 pandemic were already materializing and the degree of intensity applied to the measures taken to contain the spread. The governments and central banks of numerous countries around the world continued to maintain their expansive fiscal and monetary policy measures. Interest rates remained relatively low. On average, prices for energy and other commodities rose significantly compared to the prior-year period. Global trade in goods increased in the reporting period.

Trends in the markets for passenger cars and light commercial vehicles

Between January and June 2021, global demand for passenger cars rose sharply on the whole compared to the weak level recorded in the prior-year period (up 29.1%). However, the growth was uneven owing to the effects of the Covid-19 pandemic, which varied strongly from region to region both in the first six months of 2020 and in 2021. The overall markets of the South America and Africa regions recorded above-average growth. The increases in Western Europe, Central and Eastern Europe, North America and Asia-Pacific were roughly in line with the global average.

Global demand for light commercial vehicles between January and June 2021 was up significantly on the prior-year level.

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 higher in the reporting period compared to the prior year. Compared to the prior year, which had been adversely affected by the Covid-19 pandemic, a recovery of the truck markets could be observed worldwide.

In the first six months of 2021, there was noticeable growth in demand overall in the bus markets that are relevant for the Volkswagen Group compared to 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 2021 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.

Volkswagen Group deliveries

The Volkswagen Group delivered 5.0 million vehicles to customers worldwide in the first half of 2021. This was 27.9% or 1.1 million units more than in the same period of the prior year, when demand was strongly impacted by the Covid-19 pandemic and the measures taken worldwide to contain it. Sales figures for both the passenger cars business area and the commercial vehicles business area exceeded the prior-year levels.

In terms of the trend in deliveries to customers, there were some appreciable differences across individual countries and regions in the reporting period, depending on the latest infection rates, the related restrictions and the scale of disruption caused by the pandemic in the prior-year period. Furthermore, sales figures were impacted in some regions as a result of supply bottlenecks for semiconductors. All Volkswagen Group brands exceeded their prior-year figures. Volkswagen registered increased demand year on year in all regions. The group's sales figures also responded positively to its e-mobility campaign; in the first half of 2021, Volkswagen delivered 171 thousand fully electric vehicles to customers worldwide. This was 106 thousand more units than in the same period of the prior year.

In an overall global market exhibiting strong growth, the Volkswagen Group achieved a passenger car market share of 12.6% (12.8%).

From January to June 2021, the Volkswagen Group delivered 62.7% more commercial vehicles to customers worldwide than in the same period of the prior year, when demand was affected by a slump in core markets that was further intensified by the uncertainty generated by the Covid-19 pandemic. The Volkswagen Group delivered a total of 126 thousand commercial vehicles to customers in the first half of this year.

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

	2021	2020	Change %
Regions			
Europe/Other markets	2,211,238	1,652,304	33.8
North America	493,325	339,976	45.1
South America	275,978	190,352	45.0
Asia-Pacific	1,997,697	1,710,414	16.8
Worldwide	**4,978,238**	**3,893,046**	**27.9**
by brands			
Volkswagen passenger cars	2,703,243	2,198,898	22.9
Audi	981,681	707,225	38.8
ŠKODA	515,277	426,712	20.8
SEAT	280,736	193,419	45.1
Bentley	7,199	4,918	46.4
Lamborghini	4,852	3,548	36.8
Porsche	153,656	116,964	31.4
Bugatti	40	33	21.2
Volkswagen commercial vehicles	205,102	163,591	25.4
Passenger cars and light commercial vehicles total	**4,851,786**	**3,815,308**	**27.2**
Scania	49,229	30,437	61.7
MAN	77,223	47,301	63.3
Commercial vehicles total	**126,452**	**77,738**	**62.7**

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

Sales, production and inventories at the Volkswagen Group

The Volkswagen Group's unit sales to the dealer organization[1] increased by 24.7% year on year in the first six months of 2021 to 4.7 million vehicles (including the Chinese joint ventures). At 4.1 million vehicles, unit sales outside Germany rose by 25.7% compared to the period from January to June 2020. During the reporting period, demand in markets around the world recovered from the declines in sales in the prior-year period precipitated by the Covid-19 pandemic.

In the reporting period the Volkswagen Group produced 4.5 million vehicles (including the Chinese joint ventures), 23.2% more than in the same period of the prior year. This had been marked by the impact of national measures to contain the pandemic, which had led to the disruption of supply chains with production subsequently being halted in the Volkswagen Group. Bottlenecks in supply, particularly for semi-conductors, and production restrictions were again registered in the first half of 2021.

Global inventories at group companies and in the dealer organization were lower on 30 June 2021 than at year-end 2020, and also below the corresponding prior-year figure.

Volkswagen Group financial services

The financial services division's products and services were popular in the first six months of 2021. However, demand was affected to varying degrees by the Covid-19 pandemic. The number of new financing, leasing, service and insurance contracts signed worldwide increased by 22.5% to 4.6 million. The ratio of leased and financed vehicles to group deliveries (penetration rate) in the financial services division's markets amounted to 36.1% (36.3%) in the reporting period. The total number of contracts as of 30 June 2021 stood at 24.5 million (24.1 million).

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 2021 and as of 30 June 2021. While the prior-year figures for the results of operations relate to the period from 1 January to 30 June 2020, the financial position and net assets use figures as of 31 December 2020 as comparative figures.

The Porsche SE Group distinguishes between two segments. The first segment, “PSE”, primarily includes Porsche SE holding operations including the investment in Volkswagen AG and the non-controlling interests in technology companies. 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 €2,464 million (minus €329 million[1]) in the first half of the fiscal year 2021. Of this, €2,467 million (minus €318 million[1]) related to the PSE segment. For the ITS segment, a result after tax of minus €3 million (minus €11 million) was derived. This included subsequent effects from the purchase price allocation after tax amounting to minus €5 million (minus €5 million).

Other comprehensive income of €1,672 million (minus €336 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 €1,054 million (minus €19 million) as well as to currency translation of €472 million (minus €571 million).

Results of operations of the PSE segment

The result after tax for the PSE segment was significantly influenced by the result from the investment in Volkswagen accounted for at equity of €2,514 million (minus €291 million[1]). This contains profit contributions from ongoing at equity accounting before purchase price allocations of €2,544 million (minus €380 million) as well as subsequent effects from purchase price allocations of minus €30 million (minus €37 million). In the prior year, the result from equity accounting also included income from the acquisition of further ordinary shares in Volkswagen of €127 million[1]. The increase in the result from investments accounted for at equity is attributable to the positive development in

[1] Prior-year figures were adjusted due to a € 0.3 million change in a purchase price allocation within the last fiscal year.

the result at the level of the Volkswagen Group following the negative effects of the Covid-19 pandemic in the prior year (see the section “Results of operations of the Volkswagen Group” below).

At €8 million, personnel expenses in the PSE segment were up only slightly on the prior-year level. Other operating expenses increased in the PSE segment on the prior year primarily due to the addition to the provisions for costs of litigation of €16 million to a total of €24 million (€9 million).

The financial result of minus €13 million (minus €3 million) primarily contains effects from the measurement of financial instruments at fair value as well as interest expenses from expected tax backpayments for prior years.

Results of operations of the ITS segment

In the reporting period, the ITS segment generated revenue of €53 million (€50 million), resulting primarily from the sale of software products (license sales and subscriptions), maintenance and hosting services as well as the project business, with the share of recurring revenue increasing on the prior-year period. Amortization and depreciation amounted to €10 million (€10 million) and mainly related to the subsequent measurement of the hidden reserves of €6 million (€6 million) identified in the intangible assets in the course of the purchase price allocation. The segment result before tax improved from minus €11 million to minus €3 million. This was primarily due to a change in the composition of revenue compared to the same period of the prior year, cost-saving measures introduced, higher other operating income as well as expenses included in the prior year from the at equity accounting of an associate.

Financial position of the Porsche SE Group

Cash outflow from operating activities amounted to €14 million in the first half of 2021 (cash inflow: €35 million). Cash outflow during the reporting period primarily includes cash paid for operating holding expenses of the PSE segment. Cash inflow in the prior year largely resulted from income tax refunds and any interest accrued thereon in the PSE segment.

There was a cash inflow from investing activities of €42 million (cash outflow: €121 million) in the first half of 2021. This is mainly attributable to cash received amounting to €45 million from the sale of some shares in an investment as well as from sales of securities of €9 million (€89 million). This was counterbalanced by cash paid amounting to €4 million in connection with participating in subsequent financing rounds at investments as well as investing in time deposits of €8 million (€128 million). The comparative figure for the prior-year period also contained cash paid of €81 million for the acquisition of further ordinary shares in Volkswagen AG.

There was a cash outflow from financing activities of €3 million (€3 million) in the first half of 2021. As in the prior year, dividends had not yet been paid out to the shareholders as of 30 June 2021.

Cash and cash equivalents therefore increased by a total of €26 million to €285 million (€259 million) compared to 31 December 2020.

Net liquidity of the Porsche SE Group, i.e., cash and cash equivalents, time deposits and securities less financial liabilities, increased to €587 million (€563 million) compared to 31 December 2020.

In July 2021, the dividend of €756 million from the investment in Volkswagen AG was recognized; furthermore, dividend payments of €676 million were made to the shareholders of Porsche SE.

Net assets of the Porsche SE Group

Compared to 31 December 2020, the Porsche SE Group's total assets increased by €4.1 billion to €40.3 billion as of 30 June 2021.

The Porsche SE Group's non-current assets of €39.7 billion (€35.6 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 €4.1 billion to €39.4 billion. Of the increase in the carrying amount, €2,544 million is attributable to the result from ongoing equity accounting, minus €30 million to effects from the subsequent measurement of the hidden reserves and liabilities identified as well as €1,695 million to expenses and income recognized in other comprehensive income resulting primarily from positive effects from the measurement of pensions as well as from currency translation at the level of the Volkswagen Group. Furthermore, adjustments to equity not recognized through total comprehensive income at the level of the Volkswagen Group resulted in a decrease in the carrying amount accounted for at equity of minus €93 million.

As of 30 June 2021, intangible assets of the Porsche SE Group of €221 million (€227 million) primarily contain 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.

The decrease in non-current other financial assets to €39 million (€88 million) is largely attributable to the sale of some shares in an investment.

Current assets of €661 million (€637 million) mainly consist of cash and cash equivalents, time deposits and securities.

The equity of the Porsche SE Group increased to a total of €40.0 billion (€35.9 billion) due to the positive total comprehensive income as of 30 June 2021. The equity ratio of 99.1% remained virtually constant compared to the end of the fiscal year 2020.

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 2021. 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.

Against the backdrop of a recovery in the global economy despite the continuing adverse effects of the Covid-19 pandemic, the Volkswagen Group generated revenue of €129.7 billion in the first half of 2021, 34.9% more than in the prior year. The increase was mainly the result of higher vehicle sales, positive mix effects and improved price positioning. Changes in exchange rates had a negative effect. The Volkswagen Group made 82.5% (80.6%) of its revenue abroad. Correspondingly, gross profit (revenue less cost of sales) almost doubled to €24.8 billion (€12.9 billion); the gross margin was 19.2% (13.4%).

The Volkswagen Group's operating result amounted to €11.4 billion in the period from January to June 2021; this was a rise of €12.2 billion on the prior-year period, in which special items from the diesel issue had weighed on earnings, causing a reduction of €0.7 billion. The operating return on sales increased to 8.8% (minus 1.5%). The reasons were improvements in the volume, mix and price positioning, and a positive contribution in the amount of €1.2 billion (minus €0.7 billion) from the measurement of certain derivatives to which hedge accounting is not applied as well as the good business development in the financial services division.

In the commercial vehicles business area, one-off expenses for restructuring measures reduced the result by €0.7 billion.

The financial result decreased by €0.3 billion year on year to minus €0.2 billion. The other financial result included negative effects of forward purchase agreements for new shares in QuantumScape. Moreover, the share of the result of equity-accounted investments was down on the prior-year period. In the prior year, changes in share and unit prices had weighed on net income from securities and funds as a result of the Covid-19 pandemic.

As a result, the Volkswagen Group's result before tax of €11.2 billion was €12.5 billion higher than in the prior year. The result after tax increased by €9.5 billion to €8.5 billion.

Opportunities and risks of future development

Opportunities and risks of the Porsche SE Group

There were no changes regarding the risk areas and their risk assessments presented in the report on opportunities and risks at the Porsche SE Group in the combined group management report for the fiscal year 2020, taking into account the updated forecast corridors. 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 largely based on extracts from the Report on Expected Developments, Risks and Opportunities in the half-yearly financial report 2021 of Volkswagen AG.

Volkswagen is of the opinion that the risk of bottlenecks and disruptions in the supply of semiconductor components has intensified across the entire industry. The adverse impact expected as a result is more likely to affect the second half of the year, prompting Volkswagen to lower its forecast for deliveries to customers.

The Volkswagen Group has raised the profit forecast for the group and the passenger cars business area while keeping the forecast for revenue unchanged: in terms of operating result, Volkswagen expects an operating return on sales in the range of 6.0% to 7.5% for the group and in the range of 6.0% to 8.0% for the passenger cars business area in 2021.

In the commercial vehicles business area, Volkswagen has adjusted its forecast for revenue and the operating result to reflect firstly its positive business performance and secondly the restructuring measures, which must now be recognized. Moreover, Volkswagen is raising its forecast for revenue and the operating result in the financial services division.

Furthermore, the status of the legal risks at the level of the Volkswagen Group was updated in the Volkswagen Group’s half-yearly financial report. In this regard, reference is made in particular to the comments on the settlement agreements on damage payments and the antitrust investigation in the section “Significant events and developments at the Volkswagen Group” and to the comments on the diesel issue in the section “Accounting judgments, estimates and assumptions of the management at the level of the Volkswagen Group” of the selected explanatory notes to the condensed consolidated interim financial statements. Other than that, in the reporting period of the Volkswagen half-yearly financial report there were no significant changes compared to the disclosures in the “Opportunities and risks at the Volkswagen Group” section of the combined management report in the annual report of Porsche SE for the fiscal year 2020.

Outlook

Anticipated development of the Volkswagen Group

Volkswagen believes it is well prepared overall for the future challenges pertaining to automotive business activities and for the mixed development of the regional automotive markets. Its brand diversity, presence in all major world markets, broad and selectively expanded product range, and 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 its 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 recover overall in 2021, provided lasting containment of the Covid-19 pandemic is achieved. These plans continue to be based on the Volkswagen Group's current structures. The forecast for the Volkswagen Group does not include the acquisition of all outstanding shares of Navistar International Corporation and the corresponding effects on the results of operations, financial position and net assets.

The Volkswagen Group anticipates that deliveries to customers will be noticeably above the prior year in 2021 – assuming successful containment of the Covid-19 pandemic – amid continued challenging market conditions.

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 and commercial vehicles business areas in 2021 to be significantly higher than the prior-year figure. In terms of the operating result, it expects an operating return on sales in the range of 6.0% to 7.5% for the group and in the range of 6.0% to 8.0% for the passenger cars business area in 2021. For the commercial vehicles business area, it anticipates an operating return on sales of around 3%, including restructuring measures. 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 sharply up on the prior year.

Anticipated development of the Porsche SE Group

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

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

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

The following earnings forecast is based on the current structure of the Porsche SE Group and the Volkswagen Group. Effects from any other future investments and divestitures of the Porsche SE Group or from future organizational changes at the level of the Volkswagen Group are not taken into account. The forecast takes into account the results of the first half of 2021 as well as the Volkswagen Group's expectations regarding its future development.

On 29 July 2021, Porsche SE adjusted its forecast for the group result after tax for the fiscal year 2021. Porsche SE now expects a group result after tax of between €3.4 billion and €4.9 billion. The adjustment of the forecast is based on the updated outlook of Volkswagen AG for the fiscal year 2021.

Uncertainties exist with regard to the Covid-19 pandemic, operational risks, e.g. the shortage of semiconductors, as well as potential additional special items in connection with the diesel issue, all leading to ongoing severe constraints in the reliability of the forecast.

As of 30 June 2021, the Porsche SE Group had net liquidity of €587 million. The goal of the Porsche SE Group to achieve positive net liquidity remains unchanged as of 31 December 2021. This is expected to be between €0.4 billion and €0.9 billion, not taking future investments and divestures into account.

Stuttgart, 6 August 2021
Porsche Automobil Holding SE

The board of management

Hans Dieter Pötsch | Dr. Manfred Döss | 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.

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

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

Operating result
The revenue of the Volkswagen Group, which does not include the figures for its 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 2021

€ million	Note	**1st half of 2021**	1st half of 2020
Revenue	[1]	53	50
Changes in inventories		0	0
Other own work capitalized		1	0
Other operating income		4	3
Cost of materials		-7	-7
Personnel expenses		–42	–43
Amortization and depreciation		–10	–11
Other operating expenses		–33	–18
Result from investments accounted for at equity	[2]	2,514	–300[1]
Result before financial result		2,479	–326[1]
Finance costs		-4	-2
Other financial result		–10	-1
Financial result	**[3]**	**–14**	**-3**
Result before tax		**2,466**	**–329[1]**
Income taxes		-2	0
Result after tax		**2,464**	**–329[1]**
thereof attributable to shareholders of Porsche SE		2,464	–329[1]
non-controlling interests		0	0
Earnings per ordinary share in € (basic and diluted)		8.04	–1.08
Earnings per preference share in € (basic and diluted)		8.05	–1.07

1 The prior-year figure was adjusted due to a €0.3 million change in a purchase price allocation within the last fiscal year.

Consolidated statement of comprehensive income of Porsche Automobil Holding SE for the period from 1 January to 30 June 2021

€ million	**1st half of 2021**	1st half of 2020
Result after tax	**2,464**	**–329**[1]
Remeasurement of pensions	5	0
Deferred tax on remeasurement of pensions	-2	0
Other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity (before tax)	1,615	–44
Deferred tax on other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity	–447	21
Deferred tax on investments accounted for at equity	–18	0
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods	1,154	–22
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)	425	–179
Deferred tax on other comprehensive income to be reclassified to profit or loss in subsequent periods from investments accounted for at equity	101	–139
Deferred tax on investments accounted for at equity	-8	5
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	518	–314
Other comprehensive income after tax	**1,672**	**–336**
Total comprehensive income	**4,136**	**–664**[1]
thereof attributable to		
shareholders of Porsche SE	4,136	–664[1]
non-controlling interests	0	0

[1] The prior-year figure was adjusted due to a €0.3 million change in a purchase price allocation within the last fiscal year.

Consolidated balance sheet of Porsche Automobil Holding SE as of 30 June 2021

€ million	Note	**30/6/2021**	31/12/2020
Assets			
Intangible assets	[4]	221	227
Property, plant and equipment		34	34
Investments accounted for at equity	[5]	39,375	35,259
Other financial assets	[6], [11]	39	88
Other assets		3	2
Deferred tax assets		3	3
Non-current assets		**39,673**	**35,614**
Inventories		4	5
Trade receivables		16	18
Other financial assets	[6], [11]	3	4
Other assets		12	8
Income tax receivables		2	2
Securities	[11]	133	143
Time deposits	[11]	205	197
Cash and cash equivalents	[11]	285	259
Current assets		**661**	**637**
		40,334	**36,250**
Equity and liabilities			
Subscribed capital		306	306
Capital reserves		4,884	4,884
Retained earnings		38,739	36,330
Other reserves (OCI)		–3,940	–5,576
Equity attributable to shareholders of Porsche SE		39,990	35,945
Non-controlling interests		0	1
Equity	**[7]**	**39,990**	**35,946**
Provisions for pensions and similar obligations		48	51
Other provisions	[8]	34	25
Financial liabilities	[11]	22	23
Other financial liabilities	[11]	0	0
Other liabilities		0	0
Deferred tax liabilities		123	100
Non-current liabilities		**227**	**200**
Provisions for pensions and similar obligations		1	1
Other provisions	[8]	34	34
Trade payables	[11]	3	5
Financial liabilities	[11]	14	14
Other financial liabilities	[11]	12	12
Other liabilities		48	37
Income tax liabilities		5	1
Current liabilities		**117**	**105**
		40,334	**36,250**

Consolidated statement of changes in equity of Porsche Automobil Holding SE for the period from 1 January to 30 June 2021

€ 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 2020	306	4,884	34,492	–4,399	35,283	1	35,284
Result after tax			–329[1]		–329[1]	0	–329[1]
Other comprehensive income after tax				–336	–336		–336
Total comprehensive income			–329[1]	–336	–664[1]	0	–664[1]
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**	**34,099[1]**	**–4,669**	**34,620[1]**	**1**	**34,621[1]**
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**

1 The prior-year figure was adjusted due to a €0.3 million change in a purchase price allocation within the last fiscal year.

Note [7] contains further explanations on equity.

Consolidated statement of cash flows of Porsche Automobil Holding SE for the period from 1 January to 30 June 2021

€ million	**1st half of 2021**	1st half of 2020
1. Operating activities		
Result after tax	2,464	–329[1]
Result from investments accounted for at equity	–2,514	300[1]
Amortization and depreciation	10	11
Gains (-) / losses (+) from the disposal of intangible assets and property, plant and equipment	0	0
Interest expense	4	2
Interest income	0	-1
Income tax expense	2	0
Other non-cash expenses (+) and income (-)	8	0
Change in other assets	-3	5
Change in provisions for pensions	0	0
Change in other provisions	7	-7
Change in other liabilities	10	8
Interest paid	-1	-2
Interest received	0	17
Income tax paid	-1	-1
Income tax received		33
Cash flow from operating activities	**–14**	**35**
2. Investing activities		
Cash paid for the acquisition of intangible assets and property, plant and equipment	-1	-1
Cash received from the disposal of intangible assets and property, plant and equipment	0	0
Cash received from the disposal of subsidiaries	0	
Cash paid for the acquisition of shares in investments accounted for at equity		–81
Cash paid for the acquisition of other shares in entities	-4	
Cash received from the disposal of other shares in entities	45	
Change in investments in securities	9	89
Change in investments in time deposits	-8	–128
Cash flow from investing activities	**42**	**–121**
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)	26	–88
Cash and cash equivalents as of 1 January	259	353
Cash and cash equivalents as of 30 June	**285**	**265**

1 Prior-year figures were adjusted due to a €0.3 million change in a purchase price allocation within the last fiscal year.

Note [9] 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 2020 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 2021 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 6 August 2021. 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 2021 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 significantly in the reporting period.

Accounting policies

Porsche SE implemented all accounting standards endorsed by the EU and mandatory as of 1 January 2021.

For these consolidated interim financial statements, a discount rate for pension provisions of 1.3% (0.8%) was used.

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 2020. 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 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 2021:

For new developments in the first half of 2021 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.

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 in the first half of 2021:

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 2020 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 2021, there was no need to recognize any material special items in this connection at the level of the Volkswagen Group.

Reference is made to the comments on the damage settlements in the section “Significant events and developments at the Volkswagen Group” in the interim group management report. In addition, there were the following developments in connection with the diesel issue:

1. Product-related lawsuits worldwide

The number of claims asserted by financialright GmbH based on rights assigned to it has decreased to roughly 37 thousand following the withdrawal of numerous motions. In Italy, the trial court hearing the Altroconsumo class action found in favor of the plaintiffs in July 2021 and entered a judgment holding Volkswagen AG and Volkswagen Group Italia liable in damages to some 63 thousand consumers in an aggregate amount of roughly €185 million plus interest. Volkswagen AG and Volkswagen Group Italia intend to appeal this decision.

In the Netherlands, the suspended class action brought by Stichting Car Claim has been resumed. A hearing for oral argument on the merits of the claims took place in May 2021. A declaratory judgment partially granting the relief sought was issued in July 2021. In the opinion of the court, Volkswagen AG and the other defendant group companies acted unlawfully with respect to the original engine management software. The court moreover held that consumers are entitled to a purchase price reduction from the defendant dealerships. No specific payment obligations result from the declaratory judgment. Volkswagen AG and the other defendant group companies intend to appeal the decision.

In Germany more than 60 thousand individual lawsuits relating to various diesel engine types are currently pending against Volkswagen AG or other group companies, with the plaintiffs suing for damages or rescission of the contract in most cases.

In March 2021, the Bundesgerichtshof (Federal Court of Justice) issued a comprehensively reasoned ruling holding that purchasers of vehicles with Type EA 189 diesel engines cannot raise tort-based damage claims against Volkswagen AG merely because the engines had a temperature-dependent emissions control feature (so-called thermal window).

2. Proceedings in the USA/Canada

In February 2021, Texas sought discretionary review by the Texas Supreme Court of the Texas appellate court decision dismissing Texas's state environmental claims against Volkswagen AG and AUDI AG for lack of personal jurisdiction. In June 2021, the Ohio Supreme Court affirmed an intermediate appellate court decision declining to dismiss certain claims brought by Ohio. Volkswagen AG and AUDI AG intend to seek further review by the U.S. Supreme Court.

3. Lawsuits filed by investors worldwide (excluding the USA/Canada)

In the Netherlands, a shareholder association filed an unquantified lawsuit seeking a determination that Volkswagen AG supposedly misled the capital markets. The lawsuit was withdrawn in early July 2021. Volkswagen AG consented to the withdrawal of the action, thereby terminating the litigation.

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

Notes to the consolidated income statement

[1] Revenue

Revenue almost exclusively relates to the ITS segment (see note [10]) and breaks down by main category as follows:

€ million	**1st half of 2021**	1st half of 2020
Maintenance	16	16
Projects	14	13
Hosting	13	9
Licenses	10	11
Others	0	0
	53	**50**

[2] Result from investments accounted for at equity

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

€ million	**1st half of 2021**	1st half of 2020
Result from ongoing at equity accounting before purchase price allocations	2,545	–381
Effects from purchase price allocations	–31	–38
Income from first-time at equity accounting of newly acquired shares		127[1]
Result from investments accounted for at equity before impairment	2,514	–292[1]
Impairment		-8
	2,514	**–300[1]**

1 The prior-year figure was adjusted due to a €0.3 million change in a purchase price allocation within the last fiscal year.

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

In the same period in the prior year, 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. In the prior year, the acquisitions resulted overall in income from first-time at equity accounting of €127 million[1].

The change in the result from ongoing at equity accounting is largely attributable to the positive development of the group result after tax of the Volkswagen Group driven by the strong recovery in deliveries to customers of the Volkswagen Group in the first half of the fiscal year 2021. Please refer to the explanations presented in the section “Results of operations of the Volkswagen Group” in the interim group management report.

[3] Financial result

The decrease in the financial result is primarily attributable to effects from the fair value measurement of financial instruments totaling minus €10 million (minus €2 million) as well as interest expenses for expected tax backpayments.

[1] The prior-year figure was adjusted due to a € 0.3 million change in a purchase price allocation within the last fiscal year.

Notes to the consolidated balance sheet

[4] Intangible assets

The intangible assets of the Porsche SE Group of €221 million (€227 million) include primarily the goodwill of the PTV Group of €147 million (€147 million) allocated to the ITS segment. The ITS segment corresponds to the cash-generating unit.

At the Porsche SE Group, intangible assets with an indefinite useful life are generally tested for impairment pursuant to IAS 36 once a year and if there is any indication of potential impairment. As of the reporting date, there were no indications that would have made it necessary to perform an impairment test.

[5] Investments accounted for at equity

Investments accounted for at equity almost exclusively comprise Porsche SE's investment in Volkswagen AG. The market value of the investment in Volkswagen AG amounts to €43,590 million (€26,789 million) as of 30 June 2021 and is thus above the carrying amount of the investment accounted for at equity of €39,372 million (€35,257 million). Due to the development of the results of operations at the level of the Volkswagen Group as well as the proportionate market capitalization, there were no indications of impairment as of the reporting date.

[6] Other financial assets

			30/6/2021			31/12/2020
€ million	current	non-current	Total	current	non-current	Total
Other financial assets		39	39		88	88
Sundry other financial assets	3	0	3	4	0	5
	3	**39**	**42**	**4**	**88**	**93**

The decrease in other financial assets is largely due to the sale of some shares in an investment. Remeasurements of other financial assets at fair value totaling minus €9 million also reduced the carrying amount.

[7] 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.

[8] Other provisions

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

	30/6/2021			31/12/2020		
€ million	current	non-current	Total	current	non-current	Total
Provisions for bonuses and personnel costs	4	1	5	7	1	8
Provisions for costs of litigation	15	31	45	15	22	37
Sundry other provisions	15	2	17	13	2	15
	34	**34**	**68**	**34**	**25**	**59**

Other notes

[9] Consolidated statement of cash flows

In the same period in the prior year, the cash flow from operating activities contained income tax of €33 million as well as interest of €17 million recognized with cash effect in connection with the capitalized refund claims from tax field audits for the assessment periods 2009 to 2013.

Other non-cash expenses and income largely include effects from the fair value measurement of financial instruments through profit or loss.

The cash inflow from investing activities is largely due to the sale of some shares in an investment. In the prior year, the cash outflow from investing activities primarily related to cash paid for the acquisition of ordinary shares in Volkswagen AG in addition to changes in investments in time deposits and securities.

[10] Segment reporting

The Porsche SE Group distinguishes between two segments. The first segment, “PSE”, contains Porsche SE’s holding operations including the investments accounted for at equity, other investments in technology companies as well as the assets and liabilities of the fully consolidated alternative investment fund. 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 30/6/2021**
Revenue from external third parties	0	53	53	0	53
Result after tax	2,467	-3	2,464		2,464

€ million	PSE	ITS	Total segments	Reconciliation	Group 30/6/2020
Revenue from external third parties	0	50	50	0	50
Result after tax	–318[1]	–11	–329[1]		–329[1]

[1] The prior-year figure was adjusted due to a €0.3 million change in a purchase price allocation within the last fiscal year.

[11] 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 2020 under “Accounting policies”.

The financial instruments measured at fair value through profit or loss largely comprise securities and investments in technology companies.

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

	30/6/2021				
	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	39,375	39,375
Other financial assets	39	0	0	n/a	39
Current assets					
Trade receivables	n/a	16	16	n/a	16
Other financial assets	n/a	3	3	n/a	3
Securities	48	85	85	n/a	133
Time deposits	n/a	205	205	n/a	205
Cash and cash equivalents	n/a	285	285	n/a	285
Non-current liabilities					
Financial liabilities	n/a	0	0	22	22
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	11	11	4	14
Other financial liabilities	n/a	12	12	n/a	12

	31/12/2020				
	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	35,259	35,259
Other financial assets	88	0	0	n/a	88
Current assets					
Trade receivables	n/a	18	18	n/a	18
Other financial assets	n/a	4	4	n/a	4
Securities	48	95	95	n/a	143
Time deposits	n/a	197	197	n/a	197
Cash and cash equivalents	n/a	259	259	n/a	259
Non-current liabilities					
Financial liabilities	n/a	1	1	22	23
Other financial liabilities	n/a	0	0	n/a	0
Current liabilities					
Trade payables	n/a	5	5	n/a	5
Financial liabilities	n/a	11	11	4	14
Other financial liabilities	n/a	12	12	n/a	12

The allocation of fair value to the various levels is based on the availability of observable market data on an active market. Level 1 presents the fair values of financial instruments where a market price on active markets can be determined. Level 2 presents the fair value of financial instruments for which market data are directly or indirectly observable. In particular, yield curves, index and currency rates or market prices of listed securities whose performance depends exclusively on the financial instrument being valued are used as significant parameters. The presented fair values of the assets are determined using pricing methods or present value methods. Fair values of financial instruments in level 3 are determined using inputs that are not based on observable market data. The carrying amount of current financial assets and liabilities not measured at fair value 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	**30/6/2021**	Level 1	Level 2	Level 3
Financial instruments at fair value				
Non-current other financial assets	39	9	21	8
Securities	48	33	15	

€ million	31/12/2020	Level 1	Level 2	Level 3
Financial instruments at fair value				
Non-current other financial assets	88		72	16
Securities	48	32	16	

In the non-current other financial assets, reclassifications of €21 million (€72 million) were made from level 3 to level 2 as of the reporting date due to the existence of observable parameters of comparable assets. Furthermore, reclassifications of €9 million (€0 million) were made from level 2 to level 1 as market prices from active markets were available.

As of the end of the reporting period, an amount of €6 million (€3 million) was transferred from level 2 to level 1 for securities recognized at fair value through profit or loss on account of the transition of the measurement logic from other observable market data to market prices; this was counterbalanced by transfers from level 1 to level 2 of €7 million (€1 million).

Non-current other financial assets contain investments in technology companies. The fair value of these assets is based on stock prices, market prices of listed securities whose performance depends exclusively on the financial instrument being valued or information derived from recently performed financing measures.

The table below shows a reconciliation of the fair value of the non-current financial assets allocated to level 3 in the fiscal year:

€ million	**2021**
Fair value as of 1 January	16
Gains recognized through profit or loss	11
Investments	2
Reclassifications	–21
Fair value as of 30 June	**8**

The gains of €11 million recognized through profit or loss from the fair value measurement are recorded in the other financial result.

[12] 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.

[13] 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 in the reporting period resulting from business transactions between the Porsche SE Group and its related parties:

€ million	Supplies and services rendered and other income		Supplies and services received and other expenses	
	1st half of 2021	1st half of 2020	**1st half of 2021**	1st half of 2020
Porsche and Piëch families		0		
Associates	0	0	3	2
	0	**0**	**3**	**2**

€ million	Receivables		Liabilities	
	30/6/2021	31/12/2020	**30/6/2021**	31/12/2020
Porsche and Piëch families		0		
Associates	0	0	13	13
	0	**0**	**13**	**13**

[14] Subsequent events

In July 2021, the dividend of €756 million from the investment in Volkswagen AG was recognized; furthermore, dividend payments of €676 million were made to the shareholders of Porsche SE.

At the end of July 2021, Porsche SE acquired a low single-digit percentage stake in Isar Aerospace Technologies GmbH, Ottobrunn, Munich, thus expanding its investment portfolio further.

In July 2021, the Volkswagen Group and Rimac Automobili d.o.o., Sveta Nedelja, Croatia, agreed to establish a joint venture. Volkswagen will contribute its consolidated subsidiaries Bugatti Automobiles S.A.S., Molsheim, France, and Bugatti International S.A., Strassen, Luxembourg, to the joint venture. The establishment of the new hypercar manufacturer Bugatti-Rimac, which will have its headquarters in Zagreb, Croatia, is planned for the fourth quarter of 2021. Antitrust approval is required in several countries before the deal can go ahead. Rimac will hold 55% of the shares of the joint venture, and Volkswagen will hold a 45% interest through Porsche AG. In addition, Porsche AG holds a direct interest of 24% in Rimac.

At the end of July 2021, Volkswagen's supervisory board approved an agreement with the investment firm Attestor Limited and Pon Europe B.V. for the submission of a joint public takeover offer for the shares of Europcar Mobility Group S.A., Paris, France, through a consortium company. If the offer is accepted, the consortium – according to current information – would assume joint control of Europcar.

Furthermore, 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 2021.

[15] Declaration on the German Corporate Governance Code

The declaration of the board of management and supervisory board of Porsche SE on the German Corporate Governance Code required by Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] was updated in June 2021. The annual declaration of compliance as well as its updated version have been made permanently accessible to shareholders on the company's website at www.porsche-se.com/en/company/corporate-governance/.

Stuttgart, 6 August 2021

Porsche Automobil Holding SE
The board of management

Hans Dieter Pötsch   Dr. Manfred Döss   Lutz Meschke

On completion of our review, we issued the following unqualified review report dated 6 August 2021 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 2021 to 30 June 2021, 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, 6 August 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Harald Kayser
Wirtschaftsprüfer
[German Public Auditor]

Jürgen Berghaus
Wirtschaftsprüfer
[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, 6 August 2021

Porsche Automobil Holding SE
The board of management

Hans Dieter Pötsch	Dr. Manfred Döss	Lutz Meschke

Financial calendar

9 November 2021

Group quarterly statement 3rd Quarter 2021

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

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