Group management report and management report of Porsche Automobil Holding SE

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Fundamental information about the group

Porsche Automobil Holding SE ("Porsche SE" or the "company"), as the ultimate parent of the Porsche SE Group, is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. As of 31 December 2022, the Porsche SE Group had 38 employees (882 employees).

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

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

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

Investment management of Porsche SE

Porsche SE is a holding company with investments in the areas of mobility and industrial technology. In particular, it holds the majority of the ordinary shares in Volkswagen AG, one of the leading automobile manufacturers in the world. As the parent company of the Volkswagen Group, Volkswagen AG directly and indirectly holds investments in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Porsche AG, TRATON SE ("TRATON"), Volkswagen Financial Services AG, Volkswagen Bank GmbH as well as in numerous other companies in Germany and abroad. Porsche SE also holds a direct interest in Porsche AG (see section "Significant events and developments at the Porsche SE Group"). In addition to these two core investments, the Porsche SE Group holds non-controlling interests in more than ten technology companies based in North America, Europe and Israel.

The investment strategy of Porsche SE aims to create sustainable value for its shareholders. This is based on the increase in value of assets under management as well as dividend distributions. The investments of Porsche SE fall into two categories. The first category includes the long-term core investments in Volkswagen AG and in Porsche AG. The second category comprises portfolio

All figures and percentages are rounded according to customary business practice, so minor discrepancies may arise from the addition of these amounts. Amounts smaller than €0.5 million are stated at zero. The comparative prior-year figures are presented in parentheses alongside the figures for the current reporting period.

investments that Porsche SE generally holds for a temporary period of time. Typically, such investments are characterized by their high potential for growth and for increasing value during the holding period.

Core management and financial indicator system

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

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

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

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

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

Report on economic position

Significant events and developments at the Porsche SE Group

Russia-Ukraine conflict / Covid-19 pandemic

The start of the Russia-Ukraine conflict in February 2022 led not only to a humanitarian crisis but also brought market upheaval around the world. There have been substantial price rises, particularly on the energy and commodity markets, and significant increases in interest and inflation rates have been observed internationally. The Russia-Ukraine conflict led to increased uncertainty in respect of developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia, ranging from extensive trade embargoes to the partial exclusion of Russia from the global financial system. Russia itself, in its role as an energy exporter, restricted gas deliveries to Europe. The resulting increase in energy prices and intensified supply shortages had a sustained impact on inflation in Europe particularly.

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

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


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

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

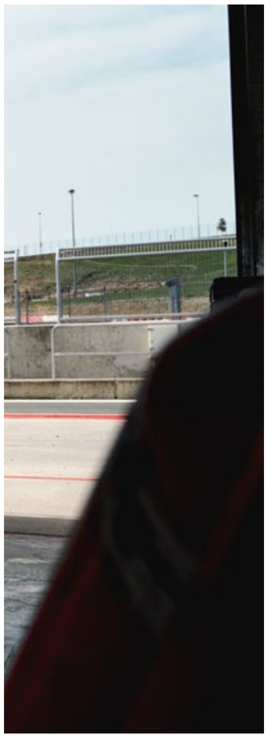
The basis for the IPO was a comprehensive agreement to enter into a number of contracts between Volkswagen and Porsche SE. In this context, both parties agreed, among other things, that Porsche SE acquire 25% plus one share of the ordinary shares of Porsche AG from Volkswagen. The price per ordinary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

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

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

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

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

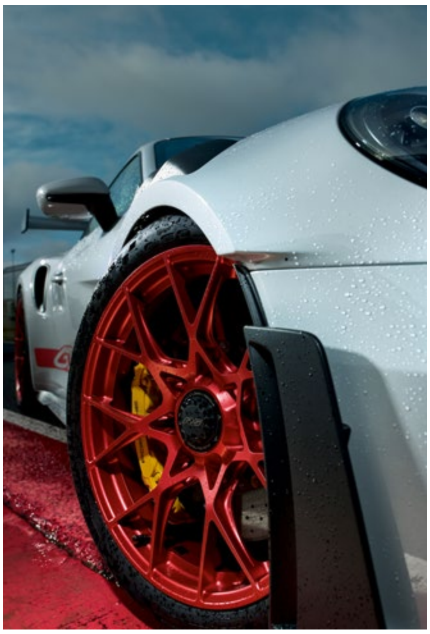


The debt financing was concluded with an international syndicate of banks and is subject to variable interest rates. The financing volume totaled €8.9 billion. Of this amount, €3.9 billion relates to bridge financing with a term of up to two years, €3 billion to a bank loan with a term of five years,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

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

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

Upon the price setting for the preference shares of Porsche AG, Porsche SE was subject to the full risk of a change in value associated with the 25% plus one share of the ordinary shares (around 12.5% of the share capital) of Porsche AG from 29 September 2022. As Porsche SE was also able to initiate an early transfer of the second tranche at any time and constituted significant influence, the investment (25% plus one share of the ordinary shares) in Porsche AG was accounted for at equity from 29 September 2022. In the consolidated balance sheet of Porsche SE, the investment was capitalized at cost of €10.1 billion including acquisition-related costs as of this point in time. In the fiscal year 2022, the result from the investment in Porsche AG accounted for at equity amounts to around €12 million after taking into account the subsequent effects from the provisional purchase price allocation. As of 31 December 2022, based on the market capitalization there was no indication of an impairment of the investment in Porsche AG accounted for at equity. However, an impairment of the investment cannot be ruled out, particularly in the event of any sustained decline in earnings. This may also have consequences for the dividend policy of Porsche AG and therefore for the cash inflows at the level of Porsche SE. Risks that could lead to negative effects also include macroeconomic risks as a result of geopolitical tensions and conflicts, such as a further escalation of the Russia-Ukraine conflict or an aggravation of the situation in East Asia. Further risks could arise such as from protectionist tendencies, persistently high inflation, structural deficits of individual advanced economies, supply shortages, and a failure to contain the Covid-19 pandemic in a lasting way and tightening of environmental protection regulations. Please refer to the explanations in the section “Opportunities and risks of future development”.



Significant developments with regard to the investment in Volkswagen AG

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

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

In particular in light of the successful placement of the Schuldschein loan of around €2.7 billion in March 2023, which significantly exceeded the volume predictable on the basis of similar transactions in the past, circumstances arose after the end of the fiscal year 2022 that made a sale of the 2.7 million preference shares of Volkswagen AG held by Porsche SE as a financing component by June 2023 not seem highly probable anymore. In the fiscal year 2023, the preference shares were therefore no longer classified as assets held for sale. For further explanations and effects from the reclassification, please refer to the section “Subsequent events”.

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

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

As of 31 December 2022, there were no indicators on the basis of the earnings forecasts of an impairment of the investment in Volkswagen AG accounted for at equity. However, an impairment of the investment cannot be ruled out, particularly in the event of any sustained decline in earnings. This may also have consequences for the dividend policy of Volkswagen AG and therefore for the cash inflows at the level of Porsche SE. Risks that could lead to negative effects also include macroeconomic risks as a result of geopolitical tensions and conflicts, such as a further escalation of the Russia-Ukraine conflict or an aggravation of the situation in East Asia. Further risks could arise such as from protectionist tendencies, persistently high inflation, structural deficits of individual advanced economies, turbulence in the financial, energy and commodity markets, supply shortages, and a failure to contain the Covid-19 pandemic in a lasting way, tightening of environmental protection regulations and/or a further increase in the costs of mitigating the diesel issue. Please refer to the explanations in the section "Opportunities and risks of future development".

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

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

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

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

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

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

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

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

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

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

A model case according to the Capital Markets Model Case Act (KapMuG) against Porsche SE initiated by an order of reference of the Regional Court of Hanover dated 13 April 2016 was pending with the Higher Regional Court of Celle. Subject of those actions were alleged damage claims based on alleged market manipulation and alleged inaccurate information in connection with Porsche SE's increase of the investment in Volkswagen AG. In part these claims were also based on alleged violations of antitrust regulations. In the six initial proceedings suspended with reference to the model case, a total of 40 plaintiffs are asserting alleged claims for damages of about €5.4 billion (plus interest). By decision of 30 September 2022, all of the establishment objectives requested by the plaintiffs have been dismissed or declared groundless by the Higher Regional Court of Celle. The Higher Regional Court of Celle substantiates its decision on the opinion that Porsche SE cannot be deemed liable under any legal aspect and that the opposed pleading of the plaintiffs is yet inconsistent. With this decision, Porsche SE considers its legal position justified that the claims asserted in the suspended initial proceedings are without merit.

The decision of the Higher Regional Court of Celle is not yet final. The plaintiffs filed an appeal against the decision with the Federal Court of Justice.

In a proceeding pending before the Regional Court of Frankfurt against an incumbent and a former, meanwhile deceased, member of the supervisory board of Porsche SE, Porsche SE joined as intervener in support of the defendants. In this proceeding the same alleged claims are asserted that are already subject of a currently suspended action concerning alleged damages of about €1.8 billion (plus interest) pending against Porsche SE before the Regional Court of Hanover. No new developments occurred in this proceeding during the reporting period. Porsche SE considers these claims to be without merit and sees itself justified in this legal position by the decision of the Higher Regional Court of Celle of 30 September 2022.

Since 2012, Porsche SE and two companies of an investment fund have been in dispute over the existence of alleged claims in the amount of about US$195 million and have filed lawsuits in Germany and England respectively. On 6 March 2013, the English proceedings were suspended at the request of both parties until a final decision had been reached in the proceedings commenced in the Regional Court of Stuttgart concerning the question of which court is the court first seized. A final decision on this issue continues to be outstanding. Currently, the proceedings are pending before the Higher Regional Court of Stuttgart. On 21 December 2021, the Higher Regional Court of Stuttgart decided that witnesses shall be interrogated in the United Kingdom by way of a request for mutual legal assistance. On 19 January 2023 and on 14 February 2023, one defendant requested to recuse two judges of the Higher Regional Court of Stuttgart for fear of bias. A decision on the motions to recuse is yet to be made. Porsche SE considers the action filed in England to be inadmissible and the asserted claims to be without merit.

Legal proceedings and legal risks in connection with the diesel issue

In connection with the diesel issue, legal proceedings with a total volume of approximately €929 million (plus interest) are pending against Porsche SE before the Regional Court of Stuttgart, the Higher Regional Court of Stuttgart and the Regional Court of Braunschweig. The plaintiffs accuse Porsche SE of alleged nonfeasance of capital market information or alleged incorrect capital market information in connection with the diesel issue. Some of these proceedings are directed against both Porsche SE and Volkswagen AG. Porsche SE considers the actions to be inadmissible in part, but in any case to be without merit.

Before the Regional Court of Stuttgart 211 actions are currently pending at first instance. The actions pending at first instance concern payment of damages, if quantified, in the total amount of approximately €797 million (plus interest) and in part establishment of liability for damages. After various claims have been referred to the competent Regional Court of Stuttgart, 11 claims for damages against Porsche SE, with a claim volume (according to the current assessment of the partially unclear head of claims) of approximately €3.1 million (plus interest), are now pending before the Regional Court of Braunschweig. A large number of the proceedings are currently suspended, whereby the majority of the suspended proceedings is suspended with reference to a KapMuG proceeding pending before the Higher Regional Court of Stuttgart. Porsche SE considers the actions filed against it before the Regional Court of Stuttgart to be without merit. The actions filed against Porsche SE before the Regional Court of Braunschweig are considered by Porsche SE to be inadmissible and to be without merit.

In addition, two further proceedings, in which a total of further approximately €129 million (plus interest) in damages was claimed, are pending before the Higher Regional Court of Stuttgart on appeal. In one of the appeal proceedings in which approximately €5.7 million (plus interest) in damages was claimed, the Regional Court of Stuttgart had granted the action in the amount of approximately €3.2 million (plus interest) and otherwise dismissed the action on 24 October 2018. Porsche SE and the plaintiff filed appeals. In the further proceeding, which is partly on appeal, plaintiffs object to the fact that the Regional Court of Stuttgart dismissed their actions as inadmissible on 26 August 2021. The amount in dispute is approximately €123 million (plus interest). Porsche SE considers these actions pending against it before the Higher Regional Court of Stuttgart to be without merit.

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

A KapMuG proceeding, initiated by order for reference of the Regional Court of Stuttgart of 28 February 2017, is pending before the Higher Regional Court of Stuttgart. On 22 October 2020, the Higher Regional Court of Stuttgart appointed a model case plaintiff. Several hearings have taken place before the Higher Regional Court of Stuttgart. The Higher Regional Court of Stuttgart expanded the model case with further establishment objectives. During the hearing of 7 December 2022, the Higher Regional Court of Stuttgart interrogated two former members of the board of management of Porsche SE as witnesses. Both witnesses stated individually to have heard of the diesel issue for the first time in September 2015 through press reportings. The Higher Regional Court of Stuttgart has scheduled the announcement of a decision for 29 March 2023 during which it might issue a model case ruling. It is also possible that the Higher Regional Court of Stuttgart will issue an order to take evidence or will inform on its provisional legal position or the further proceedings in this case. Other hearings have not been scheduled yet.

Following corresponding orders to suspend the proceedings by the Regional Court of Braunschweig and the courts of Stuttgart, Porsche SE became a further model case defendant in the model case proceedings before the Higher Regional Court of Braunschweig. The Higher Regional Court of Braunschweig issued a meanwhile binding partial model case ruling regarding questions of jurisdiction. Several hearings have taken place before the Higher Regional Court of Braunschweig. The next hearings are set to take place on 23 and 24 May 2023. The Higher Regional Court of Braunschweig announced to present a program for taking evidence in these hearings should the model case parties do not indicate their willingness for out-of-court settlement efforts. The Higher Regional Court of Braunschweig had previously scheduled numerous further hearings for 2023.

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

In connection with the diesel issue, in April 2021, two plaintiffs filed a derivative action against Porsche SE, current and former members of the management and supervisory boards of Volkswagen AG, current and former executives of Volkswagen AG and its subsidiaries, four Volkswagen AG subsidiaries and others in the Supreme Court of the

State of New York, County of New York. The plaintiffs claim to be shareholders of Volkswagen AG and allege claims of Volkswagen AG on its behalf. The action is based, inter alia, on an alleged violation of duties vis-à-vis Volkswagen AG pursuant to the AktG ["Aktiengesetz": German Stock Corporation Act] and the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK). The plaintiffs request, inter alia, a declaration that the defendants have breached their respective duties vis-à-vis Volkswagen AG, and an award to Volkswagen AG as compensation for the alleged damages it sustained as a result of the alleged violation of duties, plus interest. In September 2021, the parties filed a stipulation, which is subject to court approval, accepting service on behalf of certain defendants including Porsche SE, staying all discovery and setting a motion to dismiss briefing schedule.

Status proceedings regarding the composition of Porsche SE's supervisory board

So-called status proceedings were initiated against Porsche SE before the Regional Court of Stuttgart. With applications dated 11 July 2021 and 18 July 2021, the applicant has asked the court to find that Porsche SE's supervisory board is to be composed of half shareholder representatives and half employee representatives. In a ruling dated 24 January 2023, the Regional Court of Stuttgart dismissed these applications as inadmissible and without merit and determined that Porsche SE's supervisory board is composed in accordance with the law. The applicant has filed an appeal against this ruling which has not yet been decided.

Significant events and developments at the Volkswagen Group

Russia-Ukraine conflict / Covid-19 pandemic / semiconductor shortages

The start of the Russia-Ukraine conflict in February 2022 led not only to a humanitarian crisis but also brought market upheaval around the world. There have been substantial price rises, particularly on the energy and commodity markets, and significant increases in interest and inflation rates have been observed internationally.

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

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

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

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

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

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

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

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

Diesel issue

On 18 September 2015, the US Environmental Protection Agency (EPA) publicly announced in a notice of violation that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain Volkswagen Group vehicles with 2.0 l diesel engines in the USA. In this context, Volkswagen AG announced that noticeable discrepancies between the figures recorded in testing and those measured in actual road use had been identified in type EA 189 diesel engines and that this engine type had been installed in roughly eleven million vehicles worldwide. On 2 November 2015, the EPA issued a notice of violation alleging that irregularities had also been discovered in the software installed in US vehicles with type V6 3.0 l diesel engines.

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

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

Antitrust investigations

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

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

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

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

IPO of Porsche AG

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

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

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

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

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

Equity investments held for sale

In December, Porsche AG entered into an agreement with an independent, non-group investor for the sale of two Russian sales companies in the passenger cars and light commercial vehicles segment, OOO Porsche Russland, Moscow, Russia, and OOO Porsche Center Moscow, Moscow, Russia, as well as one company assigned to the financial services segment, OOO Porsche Financial Services

Russland, Moscow, Russia. Moreover, a repurchase option was agreed with this investor, which can be exercised at the earliest five years and at the latest ten years after the sale. As of the reporting date, the legal transfer of ownership of the Russian subsidiaries of Porsche AG was still subject to approval by the Russian authorities. It is currently expected that ownership will be legally transferred and the purchase price finally determined in the course of the first quarter of 2023.

It was resolved in the fourth quarter of 2022 to sell the following fully consolidated subsidiaries allocated to the financial services segment: OOO Volkswagen Bank RUS, Moscow, Russia, OOO Volkswagen Group Finanz, Moscow, Russia, and OOO Volkswagen Financial Services RUS, Moscow, Russia. The resolution by the competent governing body was immediately followed by the implementation of a disposal plan, which is expected to be completed in the first half of 2023.

On 15 December 2022, the supervisory board of Volkswagen AG resolved to sell the gas turbine business of MAN Energy Solutions SE, Augsburg, and MAN Energy Solutions Schweiz AG, Zurich, Switzerland, by way of an asset deal to CSIC Longjiang GH Gas Turbine Co. Ltd., Harbin, China, and its subsidiaries, which are still to be established under German and Swiss law. The transaction is expected to be completed within the next 12 months.

In accordance with IFRS 5, the assets and liabilities held for sale at the level of the Volkswagen Group were recognized at the lower of their carrying amount and fair value less expected costs of disposal.

Material transactions

Takeover of Europcar

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

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

Brose Sitech Sp. z o.o. transaction

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

Acquisition of Navistar

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

Impairment of Argo AI

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

Business development

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

General economic development

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

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

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

Trends in the markets for passenger cars and light commercial vehicles

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

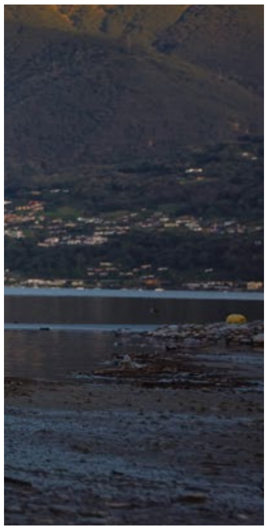
Slight or noticeable growth was recorded in the overall markets of the Asia-Pacific and Middle East regions respectively, while South America and Africa were on a level with the prior year. Sales fell in the remaining regions: while market volume was slightly down in Western Europe and noticeably down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

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

Trends in the markets for commercial vehicles

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

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



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

Trends in the markets for financial services

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

Volkswagen Group deliveries

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

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

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

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

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

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

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

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

Sales, production and inventories at the Volkswagen Group

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

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

Global inventories of new vehicles at group companies and in the dealer organization were higher at the end of the reporting period than at year-end 2021. Disruptions in the logistics chain, among other factors, had a negative impact in the reporting period.

Volkswagen Group financial services

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

[1] The dealer organization comprises all VW Group external dealer companies that are supplied by the Volkswagen Group.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Results of operations, financial position and net assets

In the following explanations, the significant results of operations as well as the financial position and net assets of the Porsche SE Group are presented for the fiscal year 2022 and as of 31 December 2022. While the prior-year figures for the results of operations relate to the period from 1 January to 31 December 2021, the financial position and net assets use figures as of 31 December 2021 as comparative figures.

In line with its investment strategy, the Porsche SE Group differentiates between the two segments “core investments” and “portfolio investments”. The core investments segment comprises the long-term core investments in Volkswagen AG and Porsche AG as well as Porsche SE’s holding operations, comprising Porsche SE’s corporate functions including the holding financing function. The second segment portfolio investments comprises existing portfolio investments that Porsche SE generally holds for a temporary period of time and that are characterized by their high potential for growth and increasing value during the holding period.

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

Results of operations of the Porsche SE Group

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

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

Consolidated income statement of Porsche SE by segment

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

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

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

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

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

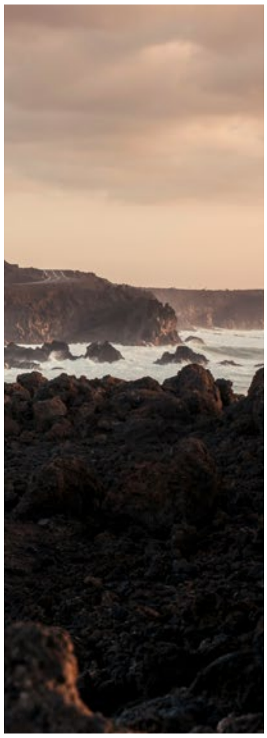
Of other operating income, an amount of €177 million relates to the proportionate realization of an intercompany profit that was eliminated in the fiscal year 2012. This intercompany profit was attributable to the contribution of the holding business operations of Porsche SE to Volkswagen AG in the fiscal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

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

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

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

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

The result after tax from continuing operations in the portfolio investment segment largely corresponds to its result from investments, which contains the result from investments accounted for at equity of minus €3 million (€3 million) as well as income of €12 million (€5 million) and expenses of €11 million (€22 million) from the fair value measurement of portfolio companies. The result from investments accounted for at equity contains income of €7 million from the write-up of the investment in INRIX.

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

Financial position of the Porsche SE Group

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

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

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

The largely debt-financed acquisition of ordinary shares of Porsche AG (see section “Significant events and developments at the Porsche SE Group”) led in the reporting year to a cash inflow from financing activities from raising debt capital for the purchase price payment of the first tranche of ordinary shares of Porsche AG of around €7.1 billion in a corresponding amount. Dividend payments to the shareholders of Porsche SE totaling €783 million (€679 million) had an offsetting effect.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Cash and cash equivalents decreased to €86 million (€271 million) compared to 31 December 2021. In addition to that, Porsche SE has at its disposal an undrawn credit facility with a volume of €1 billion and an initial term until September 2025.

Net assets of the Porsche SE Group

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

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

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

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

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

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

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

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

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

Results of operations of the Volkswagen Group

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

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

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

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

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

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

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

Results of operations of the Porsche AG Group

The following statements relate to the original profit/loss figures of the Porsche AG Group in the fiscal year 2022. It should be noted that the group result of Porsche SE only reflects its capital share in the result of the Porsche AG Group in the course of at equity accounting and only on a pro rata basis as of 29 September 2022. Furthermore, effects from at equity accounting in the consolidated financial statements of Porsche SE, particularly relating to the subsequent measurement of the hidden reserves and liabilities identified in the course of the purchase price allocations, are not taken into consideration in the explanations below.

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

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

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

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

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

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

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

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

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

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

Results of operations

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

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

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

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

Income statement of Porsche Automobil Holding SE

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

Net assets and financial position

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

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

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

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

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

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

Balance sheet of Porsche Automobil Holding SE

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

Risks relating to the business development

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

Dividends

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

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

Dependent company report

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

Outlook

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

Separate non-financial group report

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

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

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

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

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

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

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

Opportunities and risks of future development

Report on opportunities and risks at the Porsche SE Group

Risk management system of the Porsche SE Group

Overview of the risk management system

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

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

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

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

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

Risk management system of Porsche SE

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

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

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

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

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

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

Risk management at the level of the investments

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

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

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

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

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

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

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

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

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

Opportunities and risks of the Porsche SE Group

Organizational risks

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

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

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

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

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

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

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

Risk assessment for organizational risks

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


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Entrepreneurial risks

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

Opportunities and risks from investments

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

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

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

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

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

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

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

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

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

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

Risks from financing and financial instruments

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

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

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

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

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

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

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

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

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

Legal risks

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

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

Tax opportunities and risks

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

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

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

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

Risk assessment for entrepreneurial risks

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

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

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

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

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

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

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

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

Likelihood of occurrence

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

Overall statement on the risks faced by the Porsche SE Group

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

Report on opportunities and risks of the Volkswagen Group

Risk management system of the Volkswagen Group

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

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

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

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

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

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

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

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

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

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

First line: Operational risk management

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

Second line: Group risk management and ICS

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

Calculation of risk score

Risk score

= Likelihood of occurence × Potential extent of damage

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

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

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

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

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

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

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

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

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

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

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

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

Third line: Review by Group Internal Audit

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

Risk early warning system at Volkswagen

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

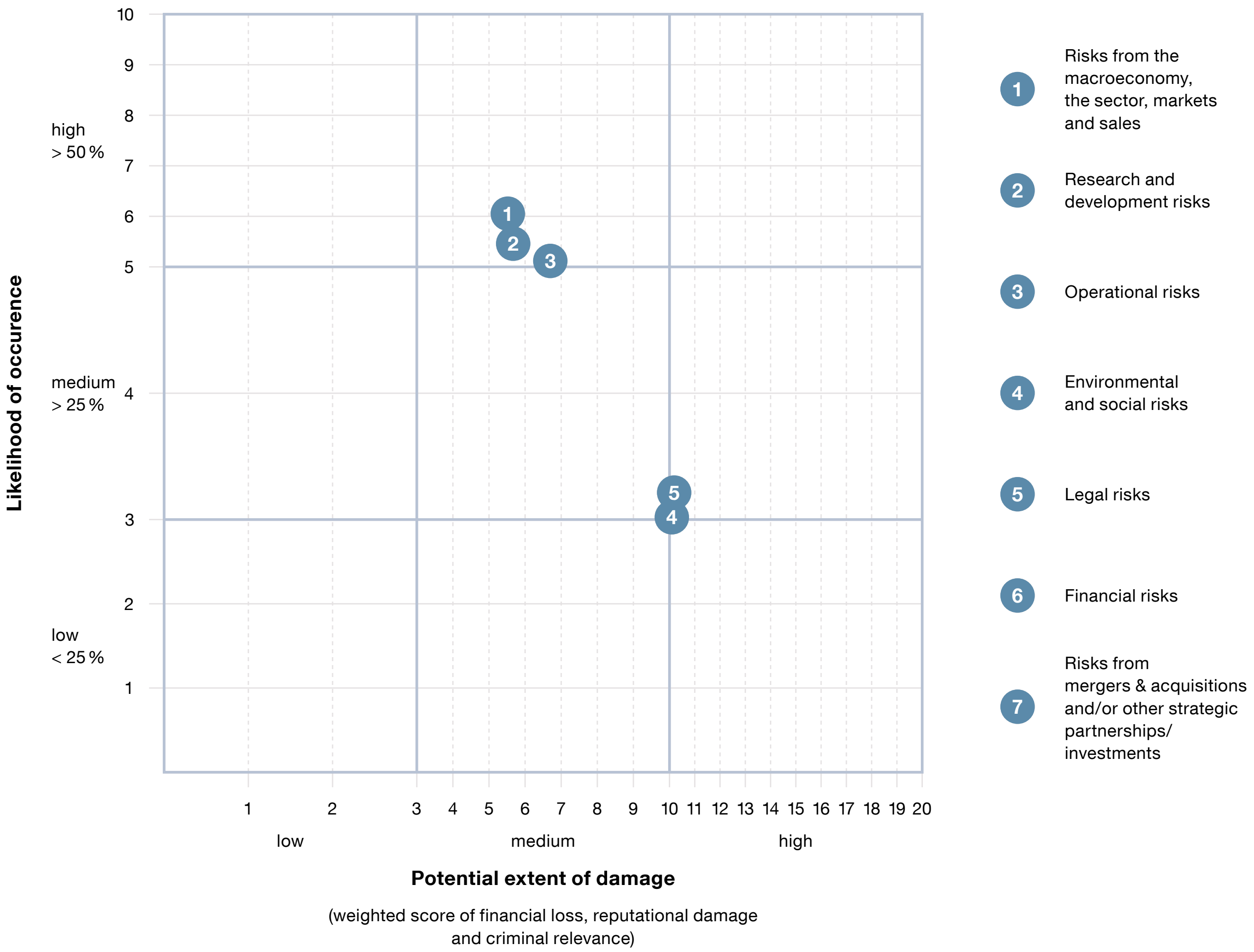
The combined management report of the Volkswagen Group and Volkswagen AG is prepared – in accordance with the applicable requirements and regulations – centrally but with the involvement of and in consultation with the group units and companies.

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

Integrated consolidation and planning system

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

Average scores of the risk categories



Opportunities and risks of the Volkswagen Group

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

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

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

Risk categories at the Volkswagen Group

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

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

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

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

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

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

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

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

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

Overall assessment of risk and opportunity position of the Volkswagen Group

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

Publication of the declaration of compliance

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

Subsequent events

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

In March 2023, Porsche SE successfully placed a Schuldschein loan of around €2.7 billion. The promissory note comprises eight tranches with terms of three, five, seven and ten years, each of which are subject to fixed or variable interest rates. Of the total volume, €1.0 billion is subject to a term of three years, €1.4 billion to a term of five years, €0.2 billion to a term of seven years and €0.2 billion to a term of ten years. Around 120 institutional investors such as banks, pension funds and insurance companies participated in the Schuldschein loan. With the promissory note, Porsche SE is refinancing a significant part of the initial bridge financing of €3.9 billion raised for the acquisition of ordinary shares in Porsche AG. There are plans to replace the remaining bridge financing by the end of the fiscal year 2023, partly by means of additional financial instruments.

In particular in light of the successful placement of the Schuldschein loan of around €2.7 billion in March 2023, which significantly exceeded the volume predictable on the basis of similar transactions in the past, circumstances arose after the end of the fiscal year 2022 that made a sale of the 2.7 million preference shares of Volkswagen AG held by Porsche SE by June 2023 not seem highly probable, anymore (see section “Significant events and developments at the Porsche SE Group”). In the fiscal year 2023, the preference shares were therefore no longer classified as assets held for sale resulting in a retrospective application of the equity method in the fiscal year 2023. The capital share, which the at equity accounting for the investment in Volkswagen AG is based on, thus amounts to around 31.9% in the fiscal year 2023 compared to the approximately 31.4% that had been applicable in the fiscal year 2022 since classification pursuant to IFRS 5. Had the preference shares not been classified as assets held for sale in the fiscal year 2022, the result from assets held for sale of €22 million would not have arisen, the result from investments in Volkswagen AG accounted for at equity would have been €725 million higher, and the investment result would therefore have been €703 million higher. The group result after tax would have been €700 million higher, earnings per share from continuing operations would have been €2.29 higher and other comprehensive income would have been €5 million lower. The assets classified as held for sale of €314 million would not have existed and the carrying amount of the investment in Volkswagen AG accounted for at equity would have increased by €1,040 million, equity by €723 million and total assets by €727 million.

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

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

Forecast report and outlook

Developments in the global economy

The planning is based on the assumption that global economic output will grow overall in 2023 albeit at a slower pace. The persistently high inflation in many regions and the resulting restrictive monetary policy measures taken by central banks are expected to increasingly dampen consumer spending. Risks continue to be seen in protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects will be negatively impacted by ongoing geopolitical tensions and conflicts, with risks continuing to arise from the Russia-Ukraine conflict or other geopolitical hot spots with a global impact. It cannot be ruled out that risks may also arise if new variants of the SARS-CoV-2 virus occur, particularly with regard to regional outbreaks and the measures associated with these. It is assumed that both the advanced economies and emerging markets will show positive momentum on average, albeit with below-average growth in gross domestic product.

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

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

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

Trends in the markets for passenger cars and light commercial vehicles

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

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

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

Trends in the markets for commercial vehicles

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

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

Trends in the markets for financial services

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

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

Anticipated development of the Volkswagen Group

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

Volkswagen's planning is based on the assumption that global economic output will grow overall in 2023, albeit at a slower pace. The persistently high inflation in many regions and the resulting restrictive monetary policy measures taken by central banks are expected to increasingly dampen consumer spending. Volkswagen continues to believe that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. Volkswagen also sees continuing geopolitical tensions and conflicts as weighing on growth prospects; the Russia-Ukraine conflict also holds risks. It cannot be ruled out that risks may also arise if new variants of the SARS-CoV-2 virus occur, particularly with regard to regional outbreaks and the measures associated with these. The Volkswagen Group assumes that both the advanced economies and the emerging markets will show positive momentum on average, albeit with below-average growth in gross domestic product.

The Volkswagen Group anticipates that, amid challenging market conditions, deliveries to customers in 2023 will stand at around 9.5 million vehicles. This assumes that the shortages of intermediates and commodities and the bottlenecks in logistics will become less intense.

Challenges will arise in particular from the economic situation, the increasing intensity of competition, volatile commodity, energy and foreign exchange markets, and more stringent emissions-related requirements.

Volkswagen expects the revenue of the Volkswagen Group in 2023 to be 10% to 15% higher than the prior-year figure and the operating return on sales to lie between 7.5% and 8.5%. In the passenger cars business area, Volkswagen forecasts an increase of 7% to 13% in revenue compared with the prior year, with an operating return on sales of between 8% and 9%. For the commercial vehicles business area, the Volkswagen Group anticipates an operating return on sales of 6% to 7% amid a 5% to 15% year-on-year increase in revenue. In the power engineering business area, Volkswagen expects revenue to be slightly above the prior-year figure and operating result to be in the low triple-digit million euro range. For the financial services division, Volkswagen forecasts a strong increase in revenue compared with the prior year and an operating result in the range of €3.5 billion.

In its planning for 2023, the Porsche AG Group assumes that average global economic output will continue to grow albeit at a somewhat lower level compared to the reporting year. This is provided that the Covid-19 pandemic does not flare up again, the Russia-Ukraine conflict does not escalate further or there are no other geopolitical hot spots with a global impact. Risks continue to be seen in protectionist tendencies, turbulence in financial markets, structural deficits in some countries, the real economic impact of high inflation rates around the world, rising interest rates as well as market shortages for intermediates and raw materials including energy.

For 2023 as a whole, based on the aforementioned assumptions, the Porsche AG Group expects the operating return on sales to range between 17% and 19%. This forecast is based on assumed revenue in a range of €40 billion to €42 billion.

Anticipated development of the Porsche SE Group

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

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

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

Due to Porsche SE's acquisition of ordinary shares in Porsche AG (see section "Significant events and developments at the Porsche SE Group"), the result of the Porsche SE Group is from now on also influenced by the result from investments accounted for at equity that is attributable to Porsche SE and therefore by the earnings situation of the Porsche AG Group. The earnings forecast of Porsche SE therefore also takes into account the expectations of the Porsche AG Group regarding its future development.

The forward-looking statements of the forecast are based in large parts on estimates and expectations of the Volkswagen Group and the Porsche AG Group, which can be influenced by unforeseeable events. As a result of this, the actual business development may deviate, both positively and negatively, from the expectations. Risks that could lead to such deviations primarily include the consequences from geopolitical tensions potentially intensifying, protectionist tendencies, persistently high inflation, structural deficits of individual advanced economies, turbulence in the financial, energy and commodity markets, supply shortages, and a failure to contain the Covid-19 pandemic in a lasting way, tightening of environmental protection regulations as well as any other negative effects from the diesel issue.

In particular on the basis of the expectations of the Volkswagen Group and the Porsche AG Group regarding their future development, Porsche SE expects a group result after tax of between €4.5 billion and €6.5 billion for the fiscal year 2023.

As of 31 December 2022, the Porsche SE Group had net liquidity of minus €6.7 billion. As of 31 December 2023, negative net liquidity of between minus €6.1 billion and minus €5.6 billion is expected for the Porsche SE Group.

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

Stuttgart, 15 March 2023
Porsche Automobil Holding SE

The board of management

Glossary

2

Glossary

Selected terms at a glance

Gross margin

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

Equity ratio

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

Operating result

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

Operating return on sales

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

Tax rate

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

Return on sales before tax

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