Group management report and management report of Porsche Automobil Holding SE

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Fundamental information about the group

The Porsche SE Group

Porsche Automobil Holding SE ("Porsche SE" or the "company") is a holding company with investments in the areas of mobility and industrial technology. Its business activities include in particular the acquisition, holding and management as well as the disposal of investments. The investments of Porsche SE are divided into the two categories "core investments" and "portfolio investments". In particular, Porsche SE holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft, Wolfsburg ("Volkswagen AG", "Volkswagen" or "VW"), one of the leading automobile manufacturers in the world. It also holds a direct interest in Dr. Ing. h.c. F. Porsche AG, Stuttgart ("Porsche AG"). These long-term investments in Volkswagen AG and Porsche AG form the core investments category. In the portfolio investments category, the Porsche SE Group also holds non-controlling interests in more than ten technology companies based in North America, Europe and Israel. Investments in private equity and venture capital funds are also allocated to this category. Portfolio investments are generally held for a temporary period of time and are typically characterized by their high potential for growth and for increasing value during the holding period.

Porsche SE, 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 2023, the Porsche SE Group had 42 employees (38 employees).

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 AG, Porsche AG, European Transport Solutions S.à r.l., Luxembourg, Luxembourg ("ETS"), INRIX Inc., Kirkland, Washington, USA ("INRIX"), and Isar Aerospace SE, Ottobrunn (formerly Isar Aerospace Technologies GmbH, Ottobrunn, "Isar Aerospace"), 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 group management report").

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. Amounts of €0.00 are not reported. The comparative prior-year figures are presented in parentheses alongside the figures for the current reporting period.

Goals and strategy

Porsche SE pursues the overarching goal of creating sustainable value for its shareholders. This requires investing in companies that contribute to the mid- and long-term profitability of the Porsche SE Group while securing sufficient liquidity.

In order to strengthen the basis for creating sustainable value with a balanced risk/return profile, investment activities are to be expanded in the long term and the existing investment platform scaled further. By further diversifying the investment portfolio Porsche SE aims to increase its resilience. In the long term, this does not rule out the evaluation of a possible reallocation both between the core investments and the portfolio investments and within the two categories.

Measures to strengthen Porsche SE’s resilience also include the mitigation of potential risks in connection with the negative effects of business activities on the environment and society. Porsche SE therefore pursues the goal of sustainable corporate governance and the implementation of environmental, social and governance (“ESG” or sustainability) aspects both for its holding operations and with regard to its investment decisions.

An additional strategic goal of Porsche SE is to position itself as a partner of choice for investment partners. Porsche SE has access to an extensive network of experts in the mobility and industrial sectors. The benefit for Porsche SE lies in the identification and assessment of investment opportunities and in the development of the individual investments. It also makes Porsche SE attractive for investment partners.

A key success factor for Porsche SE in implementing its corporate strategy are its employees. Porsche SE has therefore set itself the strategic goal of further establishing itself as a top employer.

Investment strategy

Porsche SE currently intends to make annual investments in the low three-digit million-euro range to expand its portfolio investments. The sector focus on mobility and industrial technology is to be supplemented by investments in related areas. Acquisitions of core investments are also continually evaluated for opportunities.

A central component of the investment strategy is the cooperation with strong investment partners and co-investors for direct investments. In addition, the investment portfolio is to be expanded by investing further in private equity and venture capital funds.

With the investment in Porsche AG and the other investments in portfolio companies, an important step has been taken towards diversifying the investment portfolio. Porsche SE has also already gained strong investment partners in Bridgepoint Advisers Limited London, UK (“Bridgepoint”), Digital Transformation Capital Partners GmbH, Hamburg (“DTCP”), and EQT Partners AB, Stockholm, Sweden (“EQT”).

Financing strategy

The aim of Porsche SE's financing strategy is to maintain a robust financial profile in order to strengthen its financial flexibility and preserve its ability to act strategically. The focus here is on securing sufficient liquidity, broad access to the capital market at attractive conditions and limiting financial risks. In order to ensure this, Porsche SE is currently aiming to further reduce its debt – subject to possible acquisitions – annually by a mid-triple-digit million-euro amount and continue to be geared towards an investment grade profile.

Since raising debt capital in the amount of €7.1 billion in September 2022 to finance the acquisition of ordinary shares of Porsche AG, financial liabilities have already been significantly reduced to €6.7 billion. As of 31 December 2023, group net debt had been reduced even more significantly from €6.7 billion to €5.7 billion. The loan-to-value ratio, i.e., the ratio of net debt to the market value of the core and portfolio investments, stands at 19.7% as of 31 December 2023. In the long term, Porsche SE aims to achieve a loan-to-value ratio in the low double-digit percentage range.

Dividend policy

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.

Sustainability strategy

Sustainability aspects are an important part of corporate governance and strategy at the Porsche SE Group. The Porsche SE Group's responsibility to act sustainably is set out in its Code of Conduct.

As a pure holding company without control over any of its operating investments as defined by IFRS, Porsche SE distinguishes in its sustainability strategy between its holding operations ("holding level") and its core and portfolio investments ("investment level").

The holding level comprises Porsche SE and the companies fully consolidated in the consolidated financial statements of Porsche SE, all of which are intermediate holding companies. Porsche SE pursues and implements its own sustainability strategy at holding level.

Due to the importance of the qualification, motivation and performance of Porsche SE's employees as key success factors, employee-related matters are a central aspect of the sustainability strategy at holding level. In addition to promoting health and advanced training, the primary aim is to attract and retain qualified employees. Accordingly, Porsche SE intends to further establish itself as a top employer.

Compliance is also considered to be particularly relevant at holding level. This includes the aspects of respecting human rights, anti-corruption and bribery matters, combating money laundering and terrorist financing, avoiding conflicts of interest, tax honesty, information security, data protection, foreign trade and investment control as well as selecting and dealing with business partners. Porsche SE is fully committed to compliance as part of its corporate culture. Compliance with laws, other legal standards, the Code of Conduct, company guidelines and other internal company regulations is a basic principle of Porsche SE's corporate activities.

At investment level, on the other hand, the individual investment companies develop and implement their own sustainability strategies. Porsche SE's strategy is therefore limited to taking sustainability aspects into account in its investment decisions and subsequently exercising its role as a responsible investor accordingly.

Prior to acquiring investments, due diligence reviews are regularly carried out with the support of external consultants (including specialized sustainability consultants), which may also include ESG aspects. Consideration of sustainability aspects is an integral part of the investment process and is enshrined in an internal policy. Porsche SE invests in sustainable business models and thus provides growth capital for its portfolio investments, which can contribute to the transition to a sustainable economy. Besides the two core investments, the Porsche SE Group has over the past few years invested in several companies that have significant sustainability aspects built into their business model.

Due to a lack of control as defined by IFRS, Porsche SE can only encourage sustainable corporate governance of its investments through the shareholder dialog and board work. Porsche SE assumes the role of a responsible investor in order to strengthen the resilience of its investment portfolio in cooperation with its partners, also with regard to potential sustainability risks.

Porsche SE supports the sustainability strategies of its core investments. As the largest investor in connection with the successful IPO of Porsche AG, Porsche SE played an active role in providing the Volkswagen Group (Volkswagen AG and its fully consolidated subsidiaries) with the capital required for Volkswagen's transformation into a sustainable mobility provider and at the same time increasing the independence of Porsche AG. Porsche SE is convinced that the Volkswagen Group will play a leading role in the transformation of the automotive industry and for this reason also has considerable potential for increasing value.

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 debt/net liquidity are the core management indicators in the Porsche SE Group.

By definition, net debt of the Porsche SE Group is calculated as financial liabilities less cash and cash equivalents, time deposits and securities each derived from the consolidated balance sheet. Net debt of the Porsche SE Group corresponds to negative net liquidity. The terminology of net liquidity was adjusted accordingly following the raising of debt capital in the prior year.

There were no changes to the management system in the fiscal year 2023.

In line with its investment strategy, the Porsche SE Group differentiates for management purposes between the two segments "core investments" and "portfolio investments". Porsche SE's holding operations, comprising Porsche SE's corporate functions, including the holding financing function, are all allocated to the "core investments" for the purpose of managing resources. Transactions between the segments, i.e., in particular intragroup financing transactions, are not managed separately and are therefore eliminated so that consolidated figures are always used for management purposes. For this reason, net debt is only relevant as a management indicator at the level of the "core investments" segment or the group as a whole.

Because the company is managed on the basis of consolidated figures, there is no separate management and forecast of the core performance indicators for Porsche SE as an individual entity.

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.

With regard to compliance with the prior-year forecast, see also the "Overall statement on the economic situation of the Porsche SE Group" in the "Report on economic position". With regard to the forecast for the fiscal year 2024, see "Anticipated development of the Porsche SE Group" in "Forecast report and outlook".

Core investments

(as of 31 December 2023)

Volkswagen AG

With its stake of 53.3 % of the ordinary shares and 1.3 % of the preference shares and 31.9 % of the subscribed capital of Volkswagen Aktiengesellschaft, Porsche SE is the single largest shareholder of the Wolfsburg-based company. Porsche SE sees itself as a long-term anchor investor of Volkswagen AG.

The Volkswagen Group comprises ten brands from five European countries: Volkswagen, Volkswagen Commercial Vehicles, ŠKODA, SEAT, CUPRA, Audi, Lamborghini, Bentley, Porsche and Ducati. In addition, the Volkswagen Group offers a wide range of other brands and business areas, including financial services, involving dealer and customer financing, leasing, banking and insurance activities as well as fleet management.

Headquarters
Wolfsburg/
Germany

Investment since
2005

VOLKSWAGEN GROUP

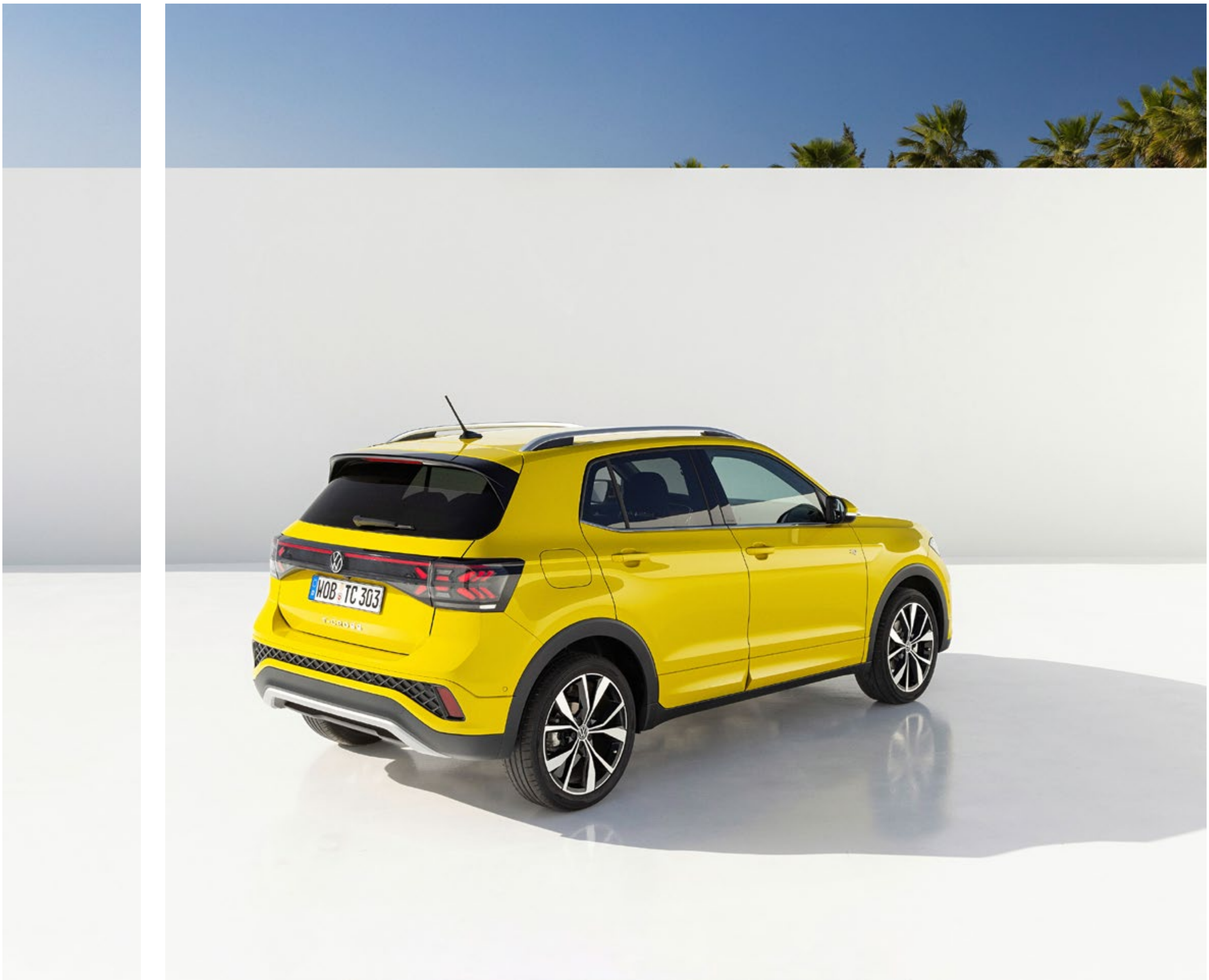
Porsche AG

Porsche SE directly holds 25.0 % plus one share of the ordinary shares and thus around 12.5 % of the subscribed capital of Porsche AG. Volkswagen AG indirectly holds, via Porsche Holding Stuttgart GmbH, 75.0 % of the ordinary shares less one ordinary share and 75.4 % of the subscribed capital of Porsche AG.

Porsche AG is one of the world's most successful luxury automotive manufacturers. The "Porsche" brand is synonymous with design and engineering heritage, performance, modern and sustainable luxury, prestige, innovation, technological achievement and reliability.

Headquarters
Stuttgart/
Germany

Investment since
2022



Volkswagen AG

Volkswagen AG is the parent company of the Volkswagen Group. Volkswagen AG’s subscribed capital of €1,283 million is made up of 59% ordinary shares and 41% non-voting preference shares. The ordinary and preference shares issued by Volkswagen AG have been admitted to trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard). The preference shares of Volkswagen AG are also included in the German Share Index (“DAX”). Volkswagen AG develops vehicles and components for the group brands, but also produces and sells vehicles, in particular passenger cars and light commercial vehicles for the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands. In its capacity as parent company, Volkswagen AG holds direct or indirect interests in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Porsche AG, TRATON SE (“TRATON”), Volkswagen Financial Services AG, Volkswagen Bank GmbH and a large number of other companies in Germany and abroad.

The Volkswagen Group is one of the leading multibrand groups in the automotive industry. The company’s business activities comprise the automotive and financial services divisions.

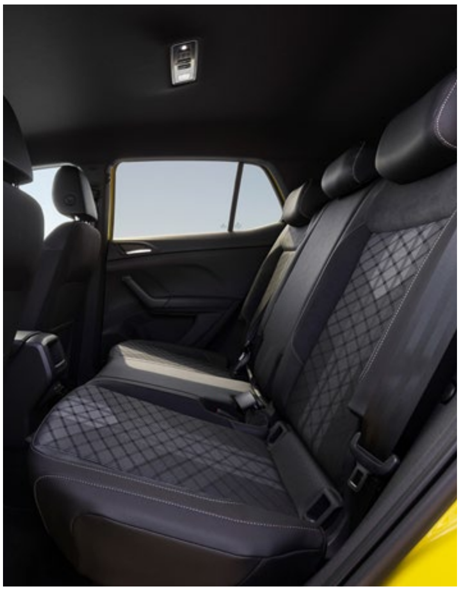
Volkswagen’s automotive division comprises the passenger cars, commercial vehicles and power engineering business areas.

Activities in the passenger cars business area focus on the development of vehicles, engines and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the genuine parts business. The product portfolio ranges from compact cars to luxury vehicles and also includes motorcycles, and is supplemented by mobility solutions.

The commercial vehicles business area primarily comprises the development, production and sale of trucks and buses, the corresponding genuine parts business and related services. The commercial vehicles portfolio ranges from light vans to heavy trucks and buses. The collaboration between the commercial vehicle brands is coordinated within TRATON SE.

The power engineering business area combines the large-bore diesel engines, turbomachinery and propulsion components businesses.

The activities of Volkswagen's financial services division comprise dealer and customer financing, leasing, direct banking and insurance activities, fleet management and mobility services.



With its brands, the Volkswagen Group is present in all of the markets around the world that are relevant for the group. The key sales markets currently include Western Europe, China, the USA, Brazil, Türkiye, Mexico, Poland and the Czech Republic.

With the group strategy "NEW AUTO – Mobility for generations to come" adopted in May 2021 focusing on the world of mobility in 2030, the Volkswagen Group is preparing itself for the global changes in mobility and thus playing a substantial role in driving Volkswagen's transformation into a provider of sustainable mobility.

Volkswagen expects the market for electric vehicles to continue to grow in the next few years, meaning that the cost-efficient and sustainable production of battery systems and the expansion of the charging infrastructure are deemed to be crucial to success.

Volkswagen expects the shift to connected, intelligent and eventually self-driving vehicles, however, to bring more wide-reaching changes for the automotive industry. Autonomous driving will change the customer's mobility experience forever and lay the ground for new business models. Sources of revenue will gradually shift and will expand beyond the core product of the automobile. Increasing software development capabilities is the prerequisite for this.

In addition to technological trends, Volkswagen also expects the global economic and geopolitical environment to pose increased challenges in equal measure for the automotive industry. These include, for example, the economic influence of the largest mobility markets, China, the USA and Europe, and their diverging development. Furthermore, Volkswagen believes that sustainability will continue to be a recurring theme in the business world and will gain further pertinence.

The Volkswagen Group has established clearly defined group initiatives across the brand groups, with a focus on its central technology platforms "Architecture", "Software", "Battery, Charging & Energy" and "Volkswagen Group Mobility". Furthermore, base initiatives form the foundation for the Volkswagen Group's strategic realignment. The Volkswagen Group reports in detail on its strategy in its annual report for the fiscal year 2023 that is published on the Volkswagen website.

Porsche AG

Porsche AG is the parent company of the Porsche AG Group (Porsche AG and its fully consolidated subsidiaries). Porsche AG's subscribed capital of €911 million is made up of 50% no-par value voting ordinary shares and 50% no-par value non-voting preference shares. The preference shares issued by Porsche AG have been admitted to trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard) since 28 September 2022; the first trading day was 29 September 2022. On 19 December 2022, the preference shares of Porsche AG were included in the DAX.

The business purpose of the Porsche AG Group is to manufacture and sell luxury sports cars and engines of all kinds as well as other parts and components for these and other technical products. In addition, the purpose of the company includes performing development work and design engineering, including vehicle and engine construction; consulting and development in the field of data processing as well as the production and distribution of data-processing products; sale of merchandise and commercial exploitation of brand rights, including those containing the word "Porsche". Also included are all other activities that are technically or economically related, including the commercial exploitation of intellectual property rights. Financial services are another business purpose, which include finance and mobility services for customers and dealers.

The Porsche AG Group consists of the automotive and financial services segments. The activities of the automotive segment cover the vehicles business field as well as the other business fields services and design. The vehicles business field includes the procurement, production, development and sale of vehicles as well as related services. The activities of the financial services segment include the leasing business, dealer and customer financing, service and insurance brokerage business as well as mobility services for vehicles of the Porsche brand. Within selected markets, the segment's services are also offered for other brands of the Volkswagen Group, in particular the Bentley and Lamborghini brands.

Porsche AG aims to further expand its strong position as a profitable manufacturer of exclusive sports cars, in particular by systematically implementing Strategy 2030 of the Porsche AG Group. This consists of the cross-cutting strategies Customer, Products, Sustainability, Digitalization, Organization and Transformation. The cross-cutting strategies form the center of the Porsche AG Group's strategy and are supplemented by the "Road to 20" program, which forms the basis for the Porsche AG Group's long-term profitability target of an operating consolidated return on sales of more than 20%. Together, these contribute to the group's corporate goals. The Porsche AG Group reports in detail on its strategy in its annual report for the fiscal year 2023 that is published on the Porsche AG website.

Portfolio investments

(as of 31 December 2023)

ABB E-mobility

ABB E-mobility is one of the world's leading suppliers of charging solutions for electric vehicles.

With over 50,000 DC fast chargers sold, the company has the largest installed base of fast chargers in the market.

Headquarters
Zurich / Switzerland

Investment since
2023

(ABB E-mobility)

AEVA

AEVA develops laser-based sensors (LiDAR light detection and ranging) sensors for environmental perception.

AEVA has been listed on the New York Stock Exchange since March 2021.

Headquarters
Mountain View / USA

Investment since
2018

Aurora Labs

Aurora Labs is a provider of remote software management, remote diagnostics and over-the-air updates.

Using its machine learning-based technology, the software can detect errors in the source code and transmit system updates to cars with zero downtime.

Headquarters
Tel Aviv / Israel

Investment since
2020

Celestial AI

Celestial AI develops a technology for optical data transmission between computer processors and memory modules.

The technology can make high-performance computing for AI models faster and more efficient.

Headquarters
Santa Clara / USA

Investment since
2023

DTCP Growth Equity III

The investment focus of the DTCP Growth Equity III fund is on companies in the cloud-based enterprise software sector.

The investment enables Porsche SE to further expand its network in the area of digitalization and software.

Investment since
2023

Ethernovia

Ethernovia develops ethernet technology based on advanced semiconductor processes for in-vehicle data transmission.

The technology allows for higher transmission rates, improved energy efficiency and additional safety features.

Headquarters
San Jose / USA

Investment since
2023

European Transport Solutions (ETS)

ETS is a holding company of Bridgepoint and Porsche SE, which combines the brands PTV Logistics and Umovity.

Umovity

The products and services of Econolite and PTV Mobility are integrated under the brand Umovity. Umovity's product portfolio includes hardware and software solutions in the field of traffic management as well as state-of-the-art software solutions for traffic planning, simulation and optimization.

Headquarters
Anaheim / USA

Investment since
2017

PTV Logistics

The PTV Logistics brand is a provider of logistics software. The product portfolio of PTV Logistics includes modern software solutions for route planning and optimization with powerful algorithms and data, as well as for additional use cases to save logistics costs and emissions.

Headquarters
Karlsruhe / Germany

Investment since
2017

INRIX

INRIX is a global provider of real-time traffic data.

INRIX draws on an extensive network of data sources comprising vehicles, smartphones and road sensors.

Headquarters
Kirkland / USA

Investment since
2014

Isar Aerospace

Isar Aerospace develops and produces launch vehicles for the transport of small and medium-sized satellites into Earth orbit, thus providing the basis for novel business models in commercial space.

Isar Aerospace aims to serve the steadily growing demand for cost-effective and flexible launches.

Headquarters
Ottobrunn/Germany

Investment since
2021

Markforged

Markforged manufactures 3D printing solutions for industrial users, offering materials ranging from carbon fiber reinforced plastic to metal.

Markforged has been listed on the New York Stock Exchange since July 2021.

Headquarters
Waltham/USA

Investment since
2017

proteanTecs

proteanTecs' technology enables the function and performance monitoring of semiconductors over their entire life cycle.

The technology can be used to increase the quality and reliability of new semiconductor generations and extend their lifespan.

Headquarters
Haifa/Israel

Investment since
2021

Quantum Motion Technologies

Quantum Motion Technologies is developing quantum computers using the silicon electron spin approach.

This approach enables a significantly more compact system with which quantum computers can be implemented on a microchip in the future.

Headquarters
London/UK

Investment since
2023

Seurat Technologies

Seurat Technologies is developing a novel technology in 3D printing which enables a significant increase in the speed of 3D metal printing.

Seurat Technologies thus promotes the use of 3D-printed components in small-series production.

Headquarters
Wilmington/USA

Investment since
2017

Xanadu Quantum Technologies

Xanadu Quantum Technologies is one of the world's leading quantum computing hardware and software companies.

Xanadu Quantum Technologies uses a photonics technology approach which offers considerable advantages in scaling computing power as well as its commercialization.

Headquarters
Toronto/Canada

Investment since
2022

Report on economic position

Significant events and developments

Significant events and developments at the Porsche SE Group

Refinancing

In March 2023, Porsche SE successfully placed a Schuldschein loan in a record amount of around €2.7 billion. The Schuldschein loan comprises eight tranches with terms of three, five, seven and ten years, each of which is subject to a fixed or variable interest rate. 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.

As part of a debt issuance program set up in April 2023, Porsche SE issued a first bond with a total volume of €750 million, an annual coupon of 4.5% and a term until September 2028.

The proceeds from issuing the Schuldschein loan and this first bond were used by Porsche SE to refinance a significant part of the bridge loan of initially €3.9 billion raised for the acquisition of ordinary shares in Porsche AG. The bridge loan was repaid in full after the dividend of Volkswagen AG was paid out to Porsche SE in May 2023.

Furthermore, in June 2023 Porsche SE issued a bond with a volume of €500 million, a coupon of 4.125% and a term until September 2027 as well as a bond with a volume of €750 million, a coupon of 4.25% and a term until September 2030. This represents one of the world's largest unrated bond placements. The proceeds from these bonds were used for the partial repayment of the five-year bank loan.

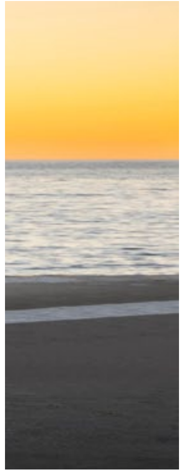
The successful bond issues underline the confidence that Porsche SE enjoys among debt capital investors.

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

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

The group result after tax and non-controlling interests of the Volkswagen Group increased to €16.0 billion in the fiscal year 2023 compared to €14.9 billion in the prior-year period. For details on the development in the result at the Volkswagen Group, please refer to the sections “Business development” and “Results of operations of the Volkswagen Group”.

As of 31 December 2023, on the basis of the earnings forecasts there was no indication of an impairment of the carrying amount 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. For explanations of the risks in connection with the investment in Volkswagen AG, please refer to the explanations in the section “Opportunities and risks of future development”.

On 10 May 2023, the annual general meeting of Volkswagen AG resolved to distribute a dividend for the fiscal year 2022 of €8.70 per ordinary share and €8.76 per preference share. The shares of Volkswagen AG held by Porsche SE thus entitled the latter to a dividend of €1.4 billion, which was collected in the second quarter of 2023.

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

Due to its share in capital of Porsche AG, Porsche SE is also influenced by the developments at the level of the Porsche AG Group. The group result after tax and non-controlling interests of the Porsche AG Group increased to €5.2 billion in the fiscal year 2023 compared to €5.0 billion in the prior-year period.

As of 31 December 2023, likewise for the investment in Porsche AG, no indication of an impairment of the carrying amount accounted for at equity was determined. 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. For explanations of the risks in connection with the investment in Porsche AG, please refer to the explanations in the section “Opportunities and risks of future development”.

The dividend for the fiscal year 2022 of €1.00 per ordinary share and €1.01 per preference share resolved by the annual general meeting of Porsche AG on 28 June 2023 was received by Porsche SE on 3 July 2023, amounting to €114 million in proportion to the number of ordinary shares held.

Dividend proposal

Porsche SE’s dividend policy is generally geared to stability. Porsche SE’s board of management therefore proposes a resolution for the distribution of a dividend of €2.554 (€2.554) per ordinary share and €2.560 (€2.560) per preference share, i.e., a total distribution of €783 million (€783 million).

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

Porsche SE is involved in various legal proceedings. The main developments 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 were 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 inconclusive. 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 an action currently suspended with regard to the model case proceedings now before the Federal Court of Justice with 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 are to be interrogated in the United Kingdom by way of a request for mutual legal assistance. On 11 May 2023 one of the witnesses was interrogated by the

Oxford County Court. The other witness referred to his right to refuse to testify pursuant to German law via the High Court. The Higher Regional Court of Stuttgart will decide whether or not the right to refuse to testify applies. Only thereafter, and only if the Higher Regional Court of Stuttgart has decided that a right to refuse to testify does not apply, can the other witness be interrogated by the English courts. 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 209 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 and fro, eleven 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. Proceedings at first instance, with a total amount of approximately €80.9 million (plus interest), are currently suspended, whereby the majority of the suspended proceedings are suspended with reference to a KapMuG proceeding meanwhile pending before the Federal Court of Justice. 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 without merit.

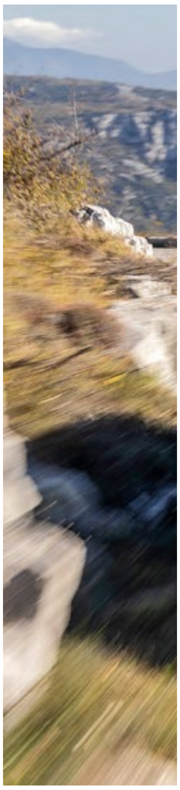
In addition, two further proceedings, in which a total of a further approximately €129 million (plus interest) in damages was claimed, are pending before the Higher Regional Court of Stuttgart on appeal. In one of the appeal proceedings in which approximately €5.7 million (plus interest) in damages was 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. The proceeding has been suspended in the meanwhile with reference to a KapMuG proceeding pending before the Federal Court of Justice. 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.

A KapMuG proceeding, initiated by order for reference of the Regional Court of Stuttgart of 28 February 2017, was 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 reporting. In its model case ruling of 29 March 2023, the Higher Regional Court of Stuttgart found that, in principle, an ad hoc disclosure obligation of Porsche SE can also exist with respect to circumstances at Volkswagen AG. A requirement for any ad hoc disclosure obligation is that a member of the board of management of Porsche SE must either be aware of the alleged insider information or the board of management of Porsche SE must have breached an obligation to ensure that insider information can reach the board of management. If there is a specific reason for doing so, the board of management has a duty to make specific inquiries. With regard to any knowledge of the board of management of Porsche SE or breach of duty, the plaintiffs have the burden of proof. The Higher Regional Court of Stuttgart also ruled that any knowledge of confidential circumstances at Volkswagen AG of board members of Volkswagen AG who are also members of the board of management of Porsche SE cannot be attributed to Porsche SE. In addition, the Higher Regional Court of Stuttgart ruled that any knowledge of circumstances at Volkswagen AG on the level below the board of management of Volkswagen AG cannot be attributed to Porsche SE. Finally, the Higher Regional Court of Stuttgart ruled that the members of the board of management of Porsche SE at the time, Dr. Wendelin Wiedeking and Holger P. Härter, had no knowledge of the diesel issue and such missing knowledge was also not based on gross negligence on their side. The establishment objectives sought by the plaintiffs against Porsche SE were therefore overwhelmingly not made by the Higher Regional Court of Stuttgart. On the basis of the establishment objectives made in the model case ruling and the current status of the matter in dispute in the initial proceedings, all investor claims against Porsche SE in the suspended initial proceedings would, as a result, have to be dismissed. The model case ruling is not yet final. The model case plaintiff, several plaintiffs and Porsche SE have filed an appeal on points of law against the model case ruling.

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 binding partial model case ruling regarding questions of jurisdiction. Several hearings have taken place before the Higher Regional Court of Braunschweig. On 7 July 2023 the Higher Regional Court of Braunschweig issued an order to take evidence and requested numerous persons to be interrogated and documents to be produced and submitted. The requested gathering of evidence focuses initially on the question whether or not Volkswagen AG's board of management, individual members thereof and/or members of its ad-hoc clearing committee had knowledge of the installation of switch functions in Volkswagen AG vehicles that are inadmissible pursuant to US law. Furthermore, evidence will be gathered on expectations of the persons responsible for ad-hoc publications within Volkswagen AG regarding possible effects on the share price resulting from the information available to each of them. The interrogations commenced in the autumn of 2023 and will be resumed.

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.

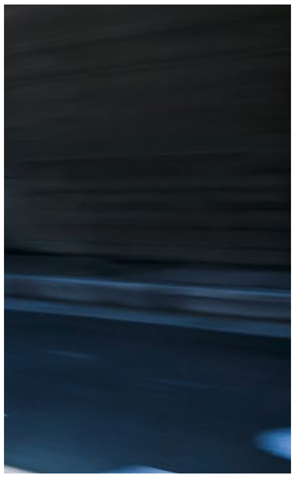
In connection with the diesel issue, in April 2021, two plaintiffs filed a derivative action against Porsche SE, current and former members of the management and supervisory boards of Volkswagen AG, current and former executives of Volkswagen AG and its subsidiaries, four Volkswagen AG subsidiaries and 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 initially filed an appeal against this ruling, but later withdrew his appeal. The decision of the Regional Court is therefore final and the proceedings have ended.



Significant events and developments at the Volkswagen Group

Material transactions

Under the Volkswagen Group’s North America strategy, Scout Motors Inc., Arlington, Virginia, USA, a wholly owned subsidiary of Volkswagen Finance Luxemburg, Strassen, Luxembourg, was established in the fiscal year 2022. A new vehicle brand is to be created under the name of Scout to distribute electrified all-terrain vehicles and pickups in the USA from 2026. In order to finance the creation of the Scout brand, as well as vehicle development and production planning, an amount of US$493 million was contributed to the company in the fiscal year 2023. The company has been included in the Volkswagen consolidated financial statements since 1 January 2023.

The process of winding down Argo AI, LLC, Pittsburgh, USA (“Argo AI”), was initiated in the third quarter of 2022. In this context, Volkswagen contributed US$60 million to the company in the first half of 2023. The contribution was written down in full. In the prior year, an expense of €1.9 billion had been recognized from the full impairment of the equity investment in Argo AI at the level of the Volkswagen Group.

In the fiscal years 2020 and 2021, the Volkswagen Group acquired new shares in QuantumScape Corporation, San José, USA (“QuantumScape”), through forward purchase agreements resulting from a capital increase. Due to QuantumScape’s simultaneous listing on the New York Stock Exchange, the forward purchase agreements had to be measured at the respective closing prices. As a consequence, a non-cash gain of €1.4 billion was recognized at the level of the Volkswagen Group in the fiscal year 2020 and a non-cash expense of €0.6 billion in the fiscal year 2021. In total, there was a non-cash increase of €0.8 billion. Due to the share price performance, the Volkswagen Group conducted an impairment test on the shares in QuantumScape. The carrying amount was adjusted on the basis of the impairment test. This adjustment led to a non-cash expense of €0.3 billion at the level of the Volkswagen Group in the second quarter of 2023. An additional adjustment of €0.1 billion was identified in the third quarter of 2023. Overall, there was a non-cash expense of €0.4 billion at the level of the Volkswagen Group in the fiscal year 2023.

On 27 September 2023, the shareholders AUDI AG, Ingolstadt, Volkswagen (China) Investment Co., Ltd., Beijing, China, and China FAW Corporation Limited, Changchun, China, resolved amendments to the articles of association of Audi FAW NEV Co., Ltd., Changchun, China (Audi FAW NEV Co.), effective from 1 October 2023. With equity interests unchanged, the amendments led to a loss of control over the company by the Volkswagen Group and resulted in its deconsolidation. The company has since 1 October 2023 been jointly controlled within the meaning of IFRS 11. The investment in Audi FAW NEV Co. will consequently be included in Volkswagen’s consolidated financial statements as a joint venture using the equity method. As a result of the change to the way the investment is accounted for, the cash and cash equivalents


previously reported declined by a low three-digit million-euro amount. Other than that, there were no material effects on the Volkswagen Group's net assets, financial position and results of operations.

On 6 December 2023, Volkswagen acquired 4.99% of the ordinary shares of the electric vehicle company XPeng Inc., Cayman Islands ("XPeng"), at a purchase price totaling US$706 million. The realization of a forward transaction dating from 26 July 2023 resulted in a non-cash gain of €74.2 million at the level of the Volkswagen Group in the fiscal year 2023. Along with the agreement to acquire the shares, a technological framework agreement was signed with Guangdong Xiaopeng Motors Technology Co. Ltd., Guangzhou, China, a subsidiary of XPeng, for the joint development of electric vehicles in China, among other things. The investment in XPeng is measured at fair value with recognition of fair value changes through other comprehensive income.

On 7 December 2023, Volkswagen acquired preference shares of Horizon Robotics Inc., Cayman Islands (Horizon Robotics), a leading provider of energy-efficient computing platforms for autonomous driving in China, from Horizon Robotics at a purchase price of US$200 million and issued a convertible loan to Horizon Robotics in an amount of US$800 million. Both investments are classified as debt instruments in the financial statements and measured at fair value through profit or loss. The measurement did not result in any significant effects at the level of the Volkswagen Group in the fiscal year 2023.

To promote the development of highly automated and autonomous driving in China, Volkswagen has also agreed the establishment of a joint venture with Horizon Robotics. On 14 December 2023, Volkswagen invested an amount of CNY 2 billion to this end in exchange for an ownership interest of 60% in the new company, CARIZON (Beijing) Technology Company Limited, Beijing, China. In addition, Volkswagen has committed to contribute capital in the future of up to CNY 8.4 billion to the joint venture.

Russia-Ukraine war

The start of the Russia-Ukraine war 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. There were some signs of normalization in the markets during the course of fiscal year 2023.

Against the backdrop of the Russia-Ukraine war and the resulting consequences, Volkswagen had decided to suspend vehicle production in Russia for the time being. Vehicle exports to Russia have also been halted. In addition, the respective sanction requirements must also be complied with in relation to parts supplies and the provision of technical information.

There was again no easing of the Russia-Ukraine war in the fiscal year 2023. For this reason, the discontinuation of business activities in Russia continued to take concrete shape in the Volkswagen Group. In this context, further sales negotiations with a number of investors continued or were concluded.

On 18 May 2023, the Volkswagen Group completed the sale of its shares in OOO Volkswagen Group Rus, Kaluga, Russia (Volkswagen Group Rus), and that company's local subsidiaries (OOO Volkswagen Components and Services, Kaluga, Russia, OOO Scania Leasing, Moscow, Russia, OOO Scania Finance, Moscow, Russia, OOO Scania Insurance, Moscow, Russia) to OOO ART-FINANCE, Moscow, Russia, which is supported by the Russian dealer AO Avilon Automotive Group, Moscow, Russia. On registration of the transaction on 22 May 2023, ownership of the shares in Volkswagen Group Rus was transferred from the seller to the buyer. The transaction comprises the production facilities in Kaluga, the importer structure of the group brands Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, Audi, Škoda, Bentley, Lamborghini and Ducati for potential after-sales business and the warehouse activities, as well as Scania's financial services activities, including all associated employees.

In this context, the Volkswagen Group had already made significant impairments in the fiscal year 2022 and recognized appropriate provisions. The selling price amounted to €0.1 billion. The deconsolidation of the affected companies resulted in a loss of €0.4 billion in the fiscal year 2023 at the level of the Volkswagen Group.

Apart from winding down Volkswagen Group Rus and its subsidiaries, no additional material expenses were recognized in connection with the Russia-Ukraine war in the fiscal year 2023.

For further details, please refer to the sections "Business development", "Results of operations of the Volkswagen Group", "Opportunities and risks of the Volkswagen Group" and "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 the 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.

No material special items in connection with the diesel issue were recognized at the level of the Volkswagen Group in the fiscal year 2023. For further information on the legal risks in connection with the diesel issue, please refer to the section "Opportunities and risks of future development" as well as note [2] of the notes to the consolidated financial statements for the fiscal year 2023.

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. 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's April 2022 appeal against this judgment was rejected in full by the European Court of Justice, the court of last resort, in February 2024.

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 at the level of the Volkswagen Group for a large number of these legal disputes as they are not expected to result in final damage awards at the highest appeals level. For those actions in which, after re-assessing the risks, the final outcome at the highest appeals level appears more likely than not to result in the payment of damages by MAN or Scania, provisions have been recognized in an amount of €89 million at the level of the Volkswagen Group. Volkswagen AG has not disclosed contingent liabilities in its consolidated financial statements as it is currently not possible to quantify them. This applies in particular to the proceedings that are currently at an early stage – including those as to which the process of expert assessment is still at an early stage.

In March 2022, the European Commission and the Competition and Markets Authority ("CMA"), the English antitrust authorities, searched the premises of various automotive manufacturers and automotive industry organizations and/or served them with formal requests for information. In the Volkswagen Group, the investigation affects Volkswagen Group UK, which was searched by the CMA, and Volkswagen AG, which has received a Group-wide information request from the European Commission. The investigation relates to European, Japanese, and Korean manufacturers as well as national organizations operating in such countries and the European organization European Automobile Manufacturers' Association ("ACEA"), which are suspected of having agreed from

2001/2002 to the initiation of the proceedings to avoid paying for the services of recycling companies that dispose of end-of-life vehicles (“ELV”) (specifically passenger cars and vans up to 3.75 tons). Also alleged is an agreement to refrain from competitive use of ELV issues, that is, not to publicize relevant recycling data (recyclates, recyclability, recovery) for competitive purposes. The violation under investigation is alleged to have taken place in particular in the “ACEA” Working Group Recycling and related sub-groups thereof. Volkswagen AG is responding to the European Commission’s information requests. Volkswagen Group UK is cooperating with the CMA. In this matter, CMA furthermore issued requests for information to Volkswagen AG. In July 2022, Volkswagen AG filed an action for judicial review challenging the CMA’s requests for information in particular because Volkswagen AG believes that they exceed the CMA’s jurisdiction. In February 2023, the court granted the claim. The CMA appealed this judgment in April 2023, and in January 2024 the appellate court ruled in the CMA’s favor. Volkswagen AG is considering whether to appeal this decision. Concurrent therewith, Volkswagen AG continues to examine the possibilities for reasonable cooperation with the CMA.

In addition, a few national and international authorities initiated antitrust investigations. Volkswagen is cooperating closely with the responsible authorities in these investigations. An assessment of the underlying situation by Volkswagen is not possible at this early stage.

Assets and disposal groups held for sale of the current fiscal year

The intention resolved at Porsche AG in September 2022 to sell 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, continues to be in place. In view of the change in external conditions, the disposal project is expected to be completed within the fiscal year 2024. An impairment loss of €25 million was recognized at the level of the Volkswagen Group for the disposal group as of 31 December 2022. As of 31 December 2023, another minor impairment loss and offsetting currency translation effects were identified at the level of the Volkswagen Group.

It was resolved by Volkswagen 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. Once the resolution had been passed by the competent bodies, the implementation of a disposal plan was started and expected to be completed in 2023. However, it could not be finalized as an approval by the Russian authorities was still outstanding as of 31 December 2023. It is expected that the outstanding approval will ultimately be granted and the disposal plan therefore completed in the first half of 2024. Impairment losses of €186 million were recognized in this context at the level of the Volkswagen Group in the period up to 31 December 2023. The companies, OOO Volkswagen Group Finanz, Moscow, Russia, and OOO Volkswagen Financial Services RUS, Moscow, Russia, were sold after the end of the fiscal year, on 18 January 2024.

On 15 December 2022, the supervisory board of Volkswagen AG resolved to sell the MAN ES 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 under German and Swiss law. Following approval by the competent authorities, the transaction is expected to be completed within the fiscal year 2024.

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

Business development

The business development of the Porsche SE Group is largely shaped by its core investments, in particular the 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, financial services and power engineering business areas at the Volkswagen Group, which include the development of the Porsche AG Group.

Developments in the global economy

In the reporting year, general economic development was primarily shaped by the Russia-Ukraine war (see also section “Significant events and developments at the Volkswagen Group”).

After the slump in global economic output in 2020 and the incipient recovery due to baseline and catch-up effects in 2021 followed by a further normalization of economic activity in 2022, despite the Russia-Ukraine war, the global economy recorded positive overall growth of 2.7% in 2023 (3.1%). The slowdown in economic momentum versus the prior year was mainly due to weaker growth in the advanced economies, whereas the overall rate of change in the emerging markets increased somewhat.

At national level, developments depended on the one hand on the intensity with which central banks had to tighten monetary policy to curb the higher inflation, mainly by raising interest rates and reducing bond holdings, which had a negative impact on consumer spending and investment activity. On the other hand, the extent to which national economies were affected by the consequences of the Russia-Ukraine war was a decisive factor. Prices for energy and many other raw materials were lower than in the prior year, and shortages of intermediate products and commodities eased somewhat. Global trade in goods expressed in nominal terms decreased in the reporting year.

Trends in the markets for passenger cars and light commercial vehicles

In the fiscal year 2023, the volume of the passenger car market worldwide was noticeably higher than in the prior year at 76.6 million vehicles. Most markets registered growth, which together with weak prior-year figures was attributable to the fact that shortages and disruption in global supply chains eased restricting vehicle availability to a lesser extent. While the supply situation for intermediates improved compared with 2022, the trend in new registrations in individual markets dampened at the end of the prior year, partly as a consequence of the Russia-Ukraine war and pull-forward effects generated by state subsidies expiring.

Significant or strong growth was recorded in the overall markets of the Western Europe, Central and Eastern Europe, Middle East and North America regions. The markets of the South America region were slightly higher and the markets of the Asia-Pacific region noticeably higher than the prior-year level. The market in Africa fell slightly short of the prior-year volume.

In the reporting year, the global volume of new registrations for light commercial vehicles was on a level with the prior year (down 0.2%).

Trends in the markets for commercial vehicles

In the markets that are relevant for the Volkswagen Group, demand for mid-sized and heavy trucks with a gross weight of more than six tonnes experienced noticeable growth in the fiscal year 2023 versus the comparative period (up 8.5%). Global truck markets grew significantly, due in particular to a recovery of the Chinese market following the end of the country's zero-Covid strategy.

Demand in the bus markets relevant for the Volkswagen Group was significantly higher than in the prior year (up 23.2%).

Trends in the markets for power engineering

The markets for power engineering are influenced by varying regional and economic factors. Consequently, the business growth trends of the respective markets develop mostly independently of one another.

In 2023, the marine market remained at a similar level to the prior year. There was reticence in the market for energy generation in 2023, particularly in Europe. This was due to the gas supply issues and the continued lack of a finalized framework for the future operation of power plants on the part of policymakers. There was more movement in the turbomachinery market than in the prior year.

Trends in the markets for financial services

Demand for automotive financial services was at a high level in the fiscal year 2023; however, higher interest rates put pressure on demand for financial services in almost all regions.

Volkswagen Group deliveries

The Volkswagen Group delivered 9.2 million vehicles to customers worldwide in the fiscal year 2023. This was 11.8% or 1.0 million units more than in the prior year, which had suffered in particular from the limited availability of Volkswagen Group models caused by the continued shortage of semiconductors, and from the Russia-Ukraine war. Parts supply shortages continued to have an adverse effect in the reporting year. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the year. Sales of both passenger cars and commercial vehicles were up year on year.

With the exception of Bentley, all brands in the passenger cars and light commercial vehicles business areas at the Volkswagen Group delivered more vehicles to customers than in the prior year. Volkswagen recorded an increase in deliveries to customers in all major individual markets as well as in all sales regions around the world.

The group’s e-mobility campaign continued to move ahead successfully; Volkswagen delivered 0.8 million all-electric vehicles to customers worldwide in the reporting year. This was 0.2 million or 34.7% more units than in the prior year. Their share of the group’s total deliveries rose to 8.3% (6.9%). Deliveries to customers of our plug-in hybrid models amounted to 0.3 million (up 4.4%). Total electric vehicle deliveries went up by 25.6% and their share of total Volkswagen Group deliveries rose year on year to 11.1% (9.9%).

In an overall global market that saw noticeable growth, the Volkswagen Group achieved a passenger car market share of 11.1% (11.0%).

In the fiscal year 2023, the Volkswagen Group delivered 10.7% more commercial vehicles to customers worldwide than in the prior year. Volkswagen handed over a total of 0.3 million commercial vehicles to customers.

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

	2023	2022	Change %
Regions			
Europe/Other markets	4,133,754	3,432,451	20.4
North America	993,082	842,619	17.9
South America	518,172	473,691	9.4
Asia-Pacific	3,594,504	3,514,000	2.3
Worldwide	**9,239,512**	**8,262,761**	**11.8**
by brands			
Volkswagen passenger cars	4,866,803	4,563,327	6.7
ŠKODA	866,820	731,262	18.5
SEAT	519,176	385,591	34.6
Volkswagen commercial vehicles	409,406	328,572	24.6
Audi	1,895,240	1,614,231	17.4
Lamborghini	10,112	9,233	9.5
Bentley	13,560	15,174	–10.6
Porsche	320,221	309,884	3.3
Passenger cars and light commercial vehicles total	**8,901,338**	**7,957,274**	**11.9**
Scania	96,568	85,232	13.3
MAN	115,653	84,372	37.1
Navistar	88,880	81,892	8.5
Volkswagen Truck & Bus	37,073	53,991	–31.3
Commercial vehicles total	**338,174**	**305,487**	**10.7**

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

Sales, production and inventories at the Volkswagen Group

The Volkswagen Group's unit sales to the dealer organization[1] increased in the reporting year by 10.4% to 9.4 million units (including the equity-accounted companies in China). The prior-year figure had been impacted in particular by the limited vehicle availability due to bottlenecks in the supply of parts caused by the shortage of semiconductors and the Russia-Ukraine war. Persistent parts supply shortages had a negative effect in the reporting year and disruption in the global logistics chains also led to delays, though these eased as the year progressed. Unit sales outside Germany rose by 9.5% to 8.2 million vehicles. Growth was seen above all in the USA, the United Kingdom and Türkiye, while fewer vehicles were sold in China. Unit sales in Germany increased by 17.2% year on year. The proportion of the group's total unit sales attributable to Germany increased to 12.6% (11.9%).

The Volkswagen Group produced 9.3 million vehicles (including the equity-accounted companies in China) in the period from January to December 2023, 6.8% more than in the comparative prior-year period, which had seen production being halted due to the disruption of supply chains caused by the Russia-Ukraine war and the Covid-19 pandemic. Parts supply shortages impacted production in the fiscal year 2023. Production in Germany increased by 16.2% to 1.9 million vehicles. The proportion of the group's total production accounted for by Germany increased to 20.6% (18.9%).

Global inventories of new vehicles at Volkswagen Group companies and in the dealer organization were higher at the end of the reporting year than at year-end 2022. The effect of disruption in the logistics chains continued to have a negative impact in the reporting year which eased as the year progressed.

Volkswagen Group financial services

The products and services of the Volkswagen Group's financial services division were popular in the fiscal year 2023. However, limited vehicle availability caused by parts supply shortages and disruptions in logistics chains weighed on demand. The number of new financing, leasing, service and insurance contracts signed worldwide increased by 11.3% to 9.5 million. The ratio of leased and financed vehicles to group deliveries (penetration rate) in the financial services division's markets stood at 32.8% in the reporting year, on a level with the prior year. The total number of contracts stood at 24.6 million (24.5 million) on 31 December 2023.

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

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 2023 and as of 31 December 2023. While the prior-year figures for the results of operations relate to the period from 1 January to 31 December 2022, the financial position and net assets use figures as of 31 December 2022 as comparative figures.

As a result of the first-time application of IFRS 17, which provides new guidance on the accounting for insurance contracts, adjustments were made to prior-year figures at the level of the Volkswagen Group including the Porsche AG Group. These changes are due primarily to the changed system for calculating provisions related to the insurance business. At the level of Porsche SE, there are no business transactions that fall within the scope of IFRS 17. However, as a result of applying the equity method to the investments in Volkswagen AG and Porsche AG for the consolidated financial statements of Porsche SE, the first-time application of IFRS 17 at the level of the Volkswagen Group also has an indirect impact on Porsche SE's consolidated financial statements. This caused the result from investments accounted for at equity for the fiscal year 2022 to increase by €5 million. With regard to the investments accounted for at equity, there were no material balance sheet effects as of 31 December 2022.

In the prior year, the preference shares of Volkswagen AG held by Porsche SE were accounted for as assets held for sale pursuant to IFRS 5, after the supervisory board of Porsche SE had approved a disposal plan in June 2022 for the total of 2.7 million preference shares as a financing component for the acquisition of ordinary shares in Porsche AG. 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 in the fiscal year 2023 that made a sale of the preference shares of Volkswagen AG held by Porsche SE by June 2023 not seem highly probable anymore. Already in the first quarter of 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. The capital share, which the at equity accounting for the investment in Volkswagen AG has since been based on, amounts to around 31.9% compared to the approximately 31.4% previously. The retrospective application of the equity method required the prior-year comparative figures to be adjusted. On the one hand, the preference shares are no longer recognized as assets held for sale previously amounting to €314 million. On the other hand, this resulted in an increase in the carrying amount of the investment in Volkswagen AG accounted for at equity of €1,040 million, an increase in deferred tax liabilities of €4 million as well as an increase in equity of €723 million. This increased the result from investments for the fiscal year 2022 by €703 million, while the deferred income tax income incurred thereon decreased by €3 million.

Results of operations of the Porsche SE Group

The result after tax of the Porsche SE Group came to €5,096 million (€5,492 million) in the fiscal year 2023, relating entirely to continuing operations (€5,396 million). In the prior year, €96 million related to discontinued operations. In turn, of the result after tax from continuing operations, €5,107 million (€5,399 million) relates to the core investments segment and minus €12 million (minus €3 million) to the portfolio investments segment. The decrease in the group result after tax is due in particular to a non-cash valuation effect in connection with the acquired Volkswagen preference shares in the amount of €597 million in the prior year. There were no direct significant currency, crisis or investment (or divestiture) effects at the level of Porsche SE in the reporting year. The combined group management report for the fiscal year 2022 forecast a group result after tax of between €4.5 billion and €6.5 billion for the fiscal year 2023. On 20 October 2023, Porsche SE also announced that it expects a group result after tax in the lower half of the forecast corridor. The group result after tax was within the forecast corridor.

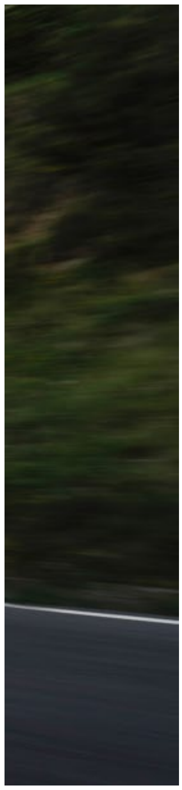
Other comprehensive income of the Porsche SE Group of minus €1,132 million (€3,652 million) mainly contains effects resulting from the investment in Volkswagen AG accounted for at equity totaling minus €1,033 million (€3,529 million) after taking deferred taxes into account. These effects result in particular from at equity accounting at the level of the Volkswagen Group amounting to minus €391 million (€15 million), currency translation amounting to minus €370 million (€162 million) and actuarial gains from the remeasurement of pension provisions amounting to minus €368 million (€3,250 million) after taking deferred taxes into account in each case. Effects resulting from the at-equity accounting of the investment in Porsche AG totaling minus €42 million (€78 million) relate in particular to actuarial gains from the remeasurement of pension provisions amounting to minus €35 million (minus €1 million) and currency translation amounting to minus €27 million (minus €69 million) and offsetting effects from the measurement of cash flow hedges amounting to €20 million (€148 million) after taking deferred taxes into account in each case. At the level of Porsche SE, other comprehensive income primarily contains effects from the measurement of interest rate hedging instruments concluded by Porsche SE under hedge accounting in an amount of minus €72 million (€90 million) after taking deferred taxes into account.

Consolidated income statement of Porsche SE by segment

€ million	Core investments	Portfolio investments	**Group 31/12/2023**	Group 31/12/2022
Result from investments accounted for at equity[2]	5,240	–11	5,229	5,263[1]
thereof Volkswagen AG	4,849		4,849	5,254[1]
thereof Porsche AG	391		391	12[1]
thereof portfolio investments		–11	–11	–3
Income from investment valuation		1	1	12
Expenses from investment valuation		–1	–1	–11
Result from investments	**5,240**	**–11**	**5,229**	**5,263[1]**
Other operating income	220	0	220	179[1]
Personnel expenses	–17		–17	–17
Amortization and depreciation	–1		–1	–1
Other operating expenses	–18	–1	–18	–25
Result before financial result	**5,424**	**–12**	**5,412**	**5,399[1]**
Financial result	–269		–269	–57
Result before tax	**5,155**	**–12**	**5,143**	**5,343[1]**
Income tax	–47	0	–48	53[1]
Result after tax from continuing operations	**5,107**	**–12**	**5,096**	**5,396[1]**
Result after tax from discontinued operations				96
Result after tax	**5,107**	**–12**	**5,096**	**5,492[1]**
Other comprehensive income after tax	–1,132	0	–1,132	3,652[1]
Total comprehensive income	**3,975**	**–11**	**3,964**	**9,144[1]**

1 Prior-year figures were adjusted due to the retrospective application of IAS 28 for the preference shares of Volkswagen AG held by Porsche SE and previously classified pursuant to IFRS 5 and due to the first-time application of IFRS 17. This increased the result from investments by €708 million overall, while deferred income tax income decreased by €3 million.

2 Notes [4], [5] and [12] of the notes to the consolidated financial statements for the fiscal year 2023 contain additional disclosures on investments accounted for at equity.



The result after tax in the core investments segment was significantly influenced by the result from investments in Volkswagen accounted for at equity of €4,849 million (€5,254 million). This contains profit contributions from ongoing at equity accounting before purchase price allocations of €5,111 million (€4,716 million) as well as subsequent effects from purchase price allocations of minus €262 million (minus €59 million). The increase in subsequent effects from purchase price allocations is attributable to impairment losses on amortized hidden reserves as a result of impairment tests at the level of the Volkswagen Group and is related to investments of the Volkswagen Group accounted for at equity. These were recognized in an ancillary calculation to the carrying amount accounted for at equity and are included in the effects from purchase price allocations in the amount of €232 million. The prior-year result from investments in Volkswagen AG accounted for at equity also included non-cash income of €597 million from the acquisition of Volkswagen preference shares. This was a result of the difference between the proportionate remeasured equity of the Volkswagen Group and the acquisition costs for the Volkswagen preference shares. With regard to the development in the result at the level of the Volkswagen Group, please also refer to the sections “Significant events and developments at the Volkswagen Group” and “Results of operations of the Volkswagen Group”.

The result from the investment in Porsche AG accounted for at equity, the second core investment, amounted to €391 million (€12 million) in the reporting period. This contains profit contributions from ongoing at equity accounting before the purchase price allocation of €643 million (€162 million) as well as subsequent effects from the purchase price allocation of minus €252 million (minus €150 million). In the prior year, the result was only attributed to Porsche SE from 29 September 2022.

Other operating income, personnel expenses, amortization and depreciation, the financial result and income tax income of the core investments segment virtually match the amounts for the group as a whole.

Other operating income from the reporting period includes income of €218 million from a contractual claim for compensation against Volkswagen AG. This resulted from a compensation mechanism in the contribution agreement, based on tax benefits and tax disadvantages, in connection with the contribution of the holding business operations of Porsche SE to Volkswagen AG in the fiscal year 2012.

In connection with the contribution, Porsche SE under certain circumstances holds the companies transferred as well as their legal predecessors harmless from tax disadvantages that exceed the obligations from periods up until and including 31 July 2009 recognized at the level of these entities. In return, Volkswagen AG has undertaken to reimburse Porsche SE for any tax advantages of the companies transferred as well as their legal predecessors and subsidiaries relating to tax assessment periods up to 31 July 2009. After the tax field audit of Porsche AG for the assessment period 2009 was substantively completed in the third quarter of 2023, the findings of the tax field audit of Porsche AG were accepted by Porsche SE which is liable for the tax payments as the former ultimate tax parent. Based on the findings of the tax field audit for the assessment periods 2006 to 2009, a claim for compensation of €209 million against Volkswagen AG was recognized in the fiscal year 2023 net of €9 million provisions recognized in prior years, which was settled in the fourth quarter of the reporting year.

In the prior year, €177 million of other operating income related 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 sale of preference shares of Porsche AG by Volkswagen to third parties in the course of the IPO of Porsche AG triggered the proportionate realization of this intercompany profit in the prior year.

Other operating expenses decreased largely due to lower consulting fees year on year to a total of €18 million (€25 million).

The financial result of minus €269 million (minus €57 million) contains financing expenses of minus €293 million (minus €71 million). The increase is related to the interest period recognized for the whole year for the first time in the reporting year. Other financial result of €24 million (€14 million), which largely comprises interest income from fixed-term deposits, had an opposite effect. In the prior year, other financial result mainly included effects from the fair value measurement of interest rate derivatives to which hedge accounting was not applied in the amount of €13 million.

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 €11 million (minus €3 million) as well as income of €1 million (€12 million) and expenses of €1 million (€11 million) from the fair value measurement of portfolio investments. The negative segment result from investments accounted for at equity is also related in particular to subsequent effects from purchase price allocations at the level of ETS and the early life cycle phase of the portfolio companies, in which no profits are typically recorded.

The result after tax from discontinued operations in the comparative period resulted from the deconsolidation gain on disposal of the share in PTV Planung Transport Verkehr GmbH, Karlsruhe (“PTV”, together with its subsidiaries the “PTV Group”).

Financial position of the Porsche SE Group

Net debt of the Porsche SE Group, i.e., financial liabilities less cash and cash equivalents, time deposits and securities, decreased to €5,717 million (€6,672 million) compared to 31 December 2022. In the combined group management report for the fiscal year 2022, net debt[1] of the Porsche SE Group as of 31 December 2023 was forecast to range between €5.6 billion and €6.1 billion. In the group quarterly statement for the third quarter of 2023, Porsche SE announced that net debt at the end of the year was expected to be in the lower half of the forecast range.[2] Net debt as of 31 December 2023 was within the corridor forecast.

Cash inflow from operating activities amounts to €1,873 million (€791 million) in the reporting period and largely contains the dividends received from the investment in Volkswagen AG totaling €1,415 million (€884 million) and in Porsche AG of €114 million (in the prior year no dividend inflow).

Of the Volkswagen dividend, €1,393 million related to the dividend based on the resolution of the annual general meeting for the fiscal year 2022 and €22 million to the special dividend, which had been resolved by the annual general meeting of Volkswagen AG on 16 December 2022 in connection with the IPO and the sale of ordinary shares in Porsche AG, but not paid out until 9 January 2023.

Porsche SE's special dividend claim against Volkswagen AG of €3.1 billion was offset against the remaining purchase price liability for Porsche SE's acquisition of ordinary shares in Porsche AG to Volkswagen of €3.0 billion. No capital gains tax was deducted from these dividend inflows. In the comparative period, the gross dividend from Volkswagen of €1,201 million for the fiscal year 2021 attributable to Porsche SE was initially subject to capital gains tax plus solidarity surcharge of 26.375% or €317 million. In the reporting period, the cash inflow from operating activities under income tax received includes a €316 million corporate income tax refund, which is largely due to this capital gains tax deduction.

Cash inflow from operating activities also contains, in addition to a payment made by Volkswagen AG of €209 million from a contractual claim for compensation (see section "Results of operations of the Porsche SE Group"), inflows from the termination of interest rate derivatives of €97 million and from interest received from fixed-term deposits of €17 million (€1 million). This was offset by cash outflows in the reporting period of €248 million (€52 million) primarily for interest paid including transaction costs in connection with the debt capital raised. Both the reporting and the comparative period include cash outflows for expenses relating to holding business operations.

[1] Net liquidity of between minus €6.1 billion and minus €5.6 billion was forecast in the combined group management report for the fiscal year 2022. Net debt corresponds to negative net liquidity.
[2] In the group quarterly statement for the third quarter of 2023, Porsche SE announced that net liquidity was expected to be in the upper half of the forecast corridor. Net debt corresponds to negative net liquidity.

There was a cash outflow from investing activities of €243 million (€7,287 million) in the fiscal year 2023. This largely resulted from changes in investments in securities and time deposits totaling minus €178 million (cash inflow: €35 million) as well as cash payments of €64 million (€14 million) for acquisitions of investments in portfolio companies and the participation in a subsequent financing round at an existing portfolio investment. In the comparative period, the cash outflow from investing activities is largely attributable to cash paid for the acquisition of ordinary shares in Porsche AG of €7,075 million (including acquisition-related costs). Additional cash outflows in the comparative period are attributable to cash paid for acquiring preference shares in Volkswagen AG of €400 million as well as for participating in a capital increase of ETS of €35 million. In contrast, the comparative period also included a cash inflow from the sale of shares in PTV of €226 million less the cash and cash equivalents of the PTV Group of €25 million disposed of in the course of the deconsolidation.

There was a cash outflow from financing activities of €1,222 million (cash inflow: €6,286 million) in the fiscal year 2023. This cash outflow resulted from the dividend payments made to the shareholders of Porsche SE of €783 million (€783 million) and the repayment of bank loans and the bridge loan in excess of the refinancing from the Schuldschein loan and the bonds of €439 million. In the prior year, the cash inflow was due in particular to raising debt capital for the purchase price payment of the ordinary shares of Porsche AG of €7,070 million.

Cash and cash equivalents increased to €494 million (€86 million) compared to 31 December 2022. In addition to that, Porsche SE has at its disposal an undrawn credit facility with a volume of €1.0 billion and a term until at least September 2026.

Net assets of the Porsche SE Group

Compared to 31 December 2022, the Porsche SE Group's total assets increased by €2.8 billion to €62.4 billion as of 31 December 2023.

The Porsche SE Group's non-current assets of €61.3 billion (€58.7 billion) primarily relate to the core investments accounted for at equity. These include in particular the carrying amount of the investment in Volkswagen AG accounted for at equity, which increased by €2.4 billion to €50.7 billion. Of the increase in the carrying amount, €5,111 million is attributable to the result from ongoing at equity accounting, minus €262 million to effects from the subsequent measurement of the hidden reserves and liabilities identified and minus €1,033 million to expenses and income recognized in other comprehensive income. In addition, adjustments directly recorded in equity at the level of the Volkswagen Group increased the carrying amount by €15 million. Allocated dividends of €1,393 million reduced the carrying amount. For explanations of the changes in carrying amount recognized through profit or loss or other comprehensive income, please also refer to the section "Results of operations of the Porsche SE Group".

The carrying amount of the core investment in Porsche AG accounted for at equity increased by

€227 million to €10.4 billion compared to 31 December 2022. Of the increase in the carrying amount, €643 million is attributable to the result from ongoing at equity accounting, minus €252 million to effects from the subsequent measurement of the hidden reserves and liabilities identified and minus €42 million to expenses and income recognized in other comprehensive income. Allocated dividends of €114 million reduced the carrying amount. In addition, adjustments directly recorded in equity at the level of the Porsche AG Group reduced the carrying amount by minus €9 million. For explanations of the changes in carrying amount recognized through profit or loss or other comprehensive income, please also refer to the section “Results of operations of the Porsche SE Group”.

The non-current other financial assets of €103 million (€204 million) include shares of portfolio investments measured at fair value of €98 million (€59 million) as well as interest rate hedging instruments of €3 million (€142 million) measured at fair value to which hedge accounting applies in all cases. The decrease in the carrying amount is largely due to the interest rate hedging instruments settled in the course of refinancing. The remaining interest rate hedging instruments show a decrease in fair value as of the reporting sheet date and are included in non-current other financial assets in the amount of €3 million and in non-current other financial liabilities in the amount of €43 million.

Current assets of €1,030 million (€762 million) mainly consist of cash and cash equivalents, time deposits and securities. In the prior year, current assets also included income tax receivables totaling €316 million. These were largely attributable to withheld capital gains tax for dividend payments received from Volkswagen AG and were refunded in the reporting period.

The equity of the Porsche SE Group increased to a total of €55.3 billion (€52.1 billion) due to the positive total comprehensive income as of 31 December 2023. The equity ratio of 88.7% (87.6%) increased compared to the end of the fiscal year 2022.

To refinance the bank financing of €7.1 billion taken out in the prior year in connection with the acquisition of ordinary shares in Porsche AG, of which as of 31 December 2022 €3.9 billion related to bridge loan recognized under current financial liabilities and €3.2 billion to bank loans recognized under non-current financial liabilities, Porsche SE successfully placed a Schuldschein loan of around €2.7 billion in March 2023. A first bond with a volume of €750 million was issued in April 2023 as part of a debt issuance program set up in the fiscal year 2023. The bridge loan was repaid in full using the Schuldschein loan, the first bond and also using the dividend payment from Volkswagen AG. In addition, Porsche SE issued a bond with a volume of €500 million and a bond with a volume of €750 million in June 2023. The proceeds from these two bonds were used for the partial repayment of the five-year bank loan (see also section “Significant events and developments at the Porsche SE Group”).

As a result of the refinancing, the maturity profile of the financial liabilities has changed, as has the presentation of maturities in the consolidated balance sheet. Of the total financial liabilities of €6.7 billion (€7.1 billion), €6.6 billion (€3.2 billion) is classified as non-current and €0.1 billion (€3.9 billion) as current as of 31 December 2023.

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 2023. It should be noted that the result of the Volkswagen Group, where it relates to the shareholders of Volkswagen AG, is only reflected in the group result of Porsche SE 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 2023, the Volkswagen Group's revenue amounted to €322.3 billion, up 15.5% on the prior-year figure. This was mainly attributable to a rise in volume and beneficial changes in the price positioning and in the mix. These factors were offset by exchange rate effects. The prior-year period had been impacted to an even greater extent by limited vehicle availability due to parts supply shortages. The Volkswagen Group generated 81.5% (82.6%) of its revenue abroad. Gross profit (revenue less cost of sales) increased by €8.8 billion to €61.0 billion. The gross margin was 18.9% (18.7%).

In the fiscal year 2023, the Volkswagen Group's operating result of €22.6 billion (€22.1 billion) was on a level with the prior year. The operating return on sales was 7.0% (7.9%). In particular, higher vehicle sales and improved price positioning were set against a rise in product costs (in particular for commodities). The fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedges) had a negative effect of minus €3.2 billion on the operating result in the period from January to December 2023; it had boosted the group's earnings by €1.8 billion in the prior-year period, as had beneficial effects of €0.8 billion from derivatives in the financial services division. In the fiscal year 2023, there were no material special items in connection with the diesel issue (€0.4 billion). The deconsolidation of Volkswagen Group Rus and its subsidiaries led to a loss of €0.4 billion in 2023. In the prior year, the result had been impacted mainly by expenses relating to loss allowances and risk provisions due to the direct impact of the Russia-Ukraine war and special items in connection with the diesel issue. The financial result increased by €0.7 billion to €0.6 billion. The share of the result of investments accounted for at equity was slightly below that of the prior year. In the interest result, higher interest income was not sufficient to offset the rise in interest expenses resulting primarily from changes in the interest rates used to measure provisions. The other financial result was affected in the reporting year among other things by adverse exchange rate effects, especially as a result of the sharp depreciation of the Argentinian peso. This was set against lower non-cash expenses from adjustments to the carrying amounts of investees because of changes in share prices and impairment tests, and against positive net income from securities and funds. In the prior-year period, the impairment loss recognized on the equity investment in Argo AI and changes in share prices affecting net income from securities and funds, particularly as a result of the Russia-Ukraine war, had both had a negative impact.

The Volkswagen Group's result before tax was up €1.1 billion to €23.2 billion in the fiscal year 2023. The return on sales before tax declined to 7.2% (7.9%). Income taxes resulted in an expense of €5.3 billion (€6.2 billion), which in turn led to a tax rate of 22.7% (28.2%). The result after tax was noticeably up on the prior year, at €17.9 billion (€15.9 billion). The result after tax and non-controlling interests increased by €1.1 billion to €16.0 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 2023. 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 addition to being included via 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 allocation, are not taken into consideration in the explanations below.

The Porsche AG Group generated revenue of €40.5 billion in the fiscal year 2023. This is an increase of 7.7% on the prior year (€37.6 billion) and is largely due to higher vehicle sales coupled with positive product mix and price effects. The development of the Chinese renminbi and US dollar currencies in particular had the opposite effect on revenue.

The cost of sales rose by €1.8 billion to €28.9 billion (€27.1 billion) and was therefore in proportion to revenue at 71.4% (72.0%). Despite supplier cost increases, cost of sales increased less thanks to changes in the product mix.

Gross profit increased accordingly by 10.0% to €11.6 billion (€10.5 billion), therefore resulting in a gross margin of 28.6% (28.0%).

Distribution expenses increased by €0.5 billion to €2.9 billion. In proportion to revenue, these increased to 7.1% (6.3%). The increase is due, among other things, to increased sales activities. Administrative expenses increased from €1.7 billion to €1.8 billion. The operating result of the Porsche AG Group increased by €0.5 billion to €7.3 billion in the fiscal year 2023 (€6.8 billion). The operating return on sales of the Porsche AG Group thus stood at 18.0% (18.0%).

The financial result came to €91 million (€308 million). The decline is mainly due to lower interest income as a result of the spin-off of the loan receivable from Porsche Holding Stuttgart GmbH implemented as part of the IPO. In addition, adjusted interest rates used to measure provisions had a negative impact on the financial result. By contrast, the securities held in special funds benefited in particular from the overall positive development of the capital markets and the higher interest rate level. Additionally, the financial result was positively impacted by a reversal of an impairment loss on Bertrandt AG that has been accounted for at equity.

Due to the higher effective tax rate of 30.1% (29.9%), income tax did not increase in proportion to the profit before tax, rising to €2.2 billion (€2.1 billion). The increase in the tax rate is due to a shift from lower taxed countries to higher taxed countries, tax effects from planned dividends and lower effects from the elimination of intercompany profits compared to the prior year. As a result, the result after tax increased by €0.2 billion to €5.2 billion in the reporting period.

Subsequent events

There were no events with a significant effect on net assets, financial position and results of operations after 31 December 2023.

Overall statement on the economic situation of 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. At the level of the two core investments – Volkswagen AG and Porsche AG – business was largely impacted in the fiscal year 2023 by a challenging global market environment, parts supply shortages 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 decreased by 7.2% year on year to €5.1 billion, mainly as a result of the non-cash income of €0.6 billion included in the prior year in connection with the acquisition of Volkswagen preference shares. Without taking this effect into account, the result after tax of Porsche SE would have increased on the prior year. The result after tax is within the corridor forecast in the prior year. In the fiscal year 2023, the results of operations of the Porsche SE Group were largely characterized by the development of the Volkswagen Group including the Porsche AG Group.

The net debt of the Porsche SE Group decreased from €6,672 million in the prior year to €5,717 million and is within the corridor forecast in the prior year. The financial position of the Porsche SE Group was primarily influenced by the receipt and payment of dividends, the receipt of income tax refunds, the claim for compensation against Volkswagen AG and the repayment of the bank financing in excess of the refinancing.

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.

Opportunities and risks of future development

Risk management and internal control 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 its 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 the Porsche SE Group monitors and manages the direct risks at the level of the holding operations of Porsche SE. Moreover, the holding level considers in particular the significant indirect risks from investments.

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 an 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 generally 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 section "Internal control system including internal control system of Porsche SE relevant for the financial reporting process". 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.

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, do not fall within the scope 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 group management report for Porsche SE (see also the explanations on the risk area "Reporting" in the section "Opportunities and risks of future development" as well as "Opportunities and risks of the Porsche SE Group" in the section "Organizational risks").

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 the section "Risk management system of Porsche SE") and continually optimized to reflect changed conditions.

In the fiscal year 2023, the board of management 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 2023.

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 meetings 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 and control 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.

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”, “Digital security” 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. 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 group 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.

In light of increasing digitalization, Porsche SE is facing growing demands for ensuring information security. As part of Porsche SE's risk management system, risks from information security are captured by the risk area “Digital security”. Porsche SE operates an ISO/IEC 27001-certified information security management system (“ISMS”), which covers the provision and management of IT services for Porsche SE's business processes.

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 compliance breaches as well as to identify, to put an end to and to sanction potential instances of misconduct. A binding Code of Conduct for employees, including the board of management of Porsche SE, sets out the most important principles for acting in accordance with the law and rules and thus serves as a guide for employees in their day-to-day work in their dealings with colleagues, business partners and third parties. This Code of Conduct is supplemented and specified by internal company guidelines on compliance.

In addition, Porsche SE has implemented a tax compliance management system to ensure compliance, monitoring and fulfillment of tax obligations at Porsche SE.

To identify significant compliance topics and potential compliance risks resulting from them, 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. As of the reporting date, the four identified risk areas “Reporting”, “Business operations”, “Digital security” and “Compliance” are each classified as low.

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 the net debt of the Porsche SE Group.

In the reporting year, no significant non-financial risks were identified at the level of Porsche SE's holding operations.

Opportunities and risks from investments

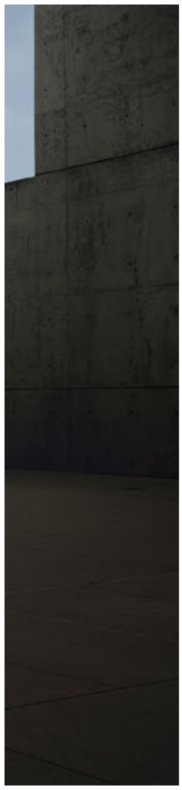
In connection with any existing and future investments, Porsche SE generally faces opportunities and risks regarding the effects on its result and/or net debt. This includes the risk of a need to recognize impairment losses, with a corresponding negative impact on the result of Porsche SE, the risk of 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 2024, 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 war, the confrontations in the Middle East as well as an aggravation of the situation in East Asia. In addition to these risks, there are other factors that cannot be predicted and whose repercussions are therefore difficult to control. If they were to occur, they could impair the further development of the Volkswagen Group and lead to adverse effects at the level of Porsche SE. Such risks could include natural disasters, pandemics, violent conflicts, terrorist attacks and interruptions to the energy supply. The assessment of risks at the level of Volkswagen AG is generally based on the report on risks and opportunities in the 2023 group management report of Volkswagen AG.

As regards the recoverability of the investment in Volkswagen AG, impairment testing was performed in the fiscal year 2023 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. The value in use of the investment in Volkswagen AG was higher than the carrying amount in each of the scenarios considered in the sensitivity analysis. However, based on the volume-weighted average stock prices, the market value of the investment in Volkswagen AG was most recently below its carrying amount. As a result, the likelihood of occurrence of a potential future impairment loss is classified as moderate. The methodology for assessing the likelihood of occurrence in the risk area "Impairment Volkswagen" has been refined and now also gives greater consideration to the capital market's view of the core investment in Volkswagen AG.

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



debt of the Porsche SE Group. Such developments are currently not expected.

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 most significant risks at the level of the Porsche AG Group relate to strategic risks including supply chain dependency, geopolitical threats – such as the Russia-Ukraine war, the confrontations in the Middle East as well as tensions in Asia –, global economic and financial crises as well as an increasing regulatory environment and supply risks from supply chain problems and geopolitics. Other risks include financial risks and sales risks. In addition to these risks, there are other factors that cannot be predicted and whose repercussions are therefore difficult to control. If they were to occur, they could impair the further development of the Porsche AG Group and lead to adverse effects at the level of Porsche SE. Such risks could include natural disasters, pandemics, violent conflicts, terrorist attacks and interruptions to the energy supply. The assessment of risks at the level of Porsche AG is generally based on the report on risks and opportunities in the 2023 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”). Impairment testing was performed in the fiscal year 2023 due to the proportionate market capitalization being below the carrying amount of the investment in Porsche AG accounted for at equity as of 31 December 2023. As part of the impairment test, sensitivity analyses regarding key measurement parameters were considered. The value in use of the investment in Porsche AG was higher than the carrying amount in each of the scenarios considered in the sensitivity analysis. Based on the volume-weighted average stock price, the market value of the investment in Porsche AG was also most recently below its carrying amount. As a result, the likelihood of occurrence of a potential future impairment loss is classified as moderate. The methodology for assessing the likelihood of occurrence in the risk area “Impairment Porsche AG” has also been refined and now also gives greater consideration to the capital market’s view of the core investment in Porsche AG.

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 debt of the Porsche SE Group. Such developments are currently not 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”.

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 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 repayments 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 relating to the repayment of debt financing and from associated refinancing needs. The bank 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 €3.3 billion and terms of up to some 6 years at the time this report was prepared and as of the reporting date.

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 with 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 2023, 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 nonfeasance 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 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.

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. 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 tax field audit Is still being performed for the assessment periods 2009 to 2013. It therefore cannot be ruled out that new findings of the tax field audit for the periods 2009 to 2013 as well as legal changes may result in an increase or decrease in tax provisions and interest or any refunds already received might have to be partially paid back.

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 the 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 debt 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 being analyzed 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 being analyzed can have on the result after tax and/or the net debt 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 debt 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 based on the risk categories has changed with regard to the risk areas “Impairment Volkswagen” and “Impairment Porsche AG”. Due to the greater consideration given to the capital market perspective, the likelihood of occurrence of the risk area “Impairment Volkswagen” is now assessed as moderate (prior year: unlikely). Due to the greater consideration given to the capital market perspective, the likelihood of occurrence of the risk area “Impairment Porsche AG” is now assessed as moderate (prior year: unlikely).

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 • Financing/ financial instruments • Legal risks • Tax risks	• Result contribution Volkswagen • Impairment risk Volkswagen • Impairment risk Porsche AG	
moderate	• Dividend inflow Porsche AG • Result contribution 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.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Risk management and control 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 these 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 2023 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 Volkswagen Group's long-term success. The aim of the RMS and the 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 ICS, including the Three Lines Model, are set out at Volkswagen in guidelines for the entire group and are regularly reviewed and refined. In addition, Volkswagen offers regular training on the RMS and ICS.

A separate Group Board of Management Committee for Risk Management at the Volkswagen Group deals with the key aspects of the RMS and 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 ICS,
- to support the open approach to dealing with risks and promote an open risk culture.

First line:
Operational risk management and ICS

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 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 investment companies. Countermeasures are introduced, the remaining potential impact is assessed, and, if necessary, 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 by Volkswagen in the planning rounds are therefore 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 the board of management of Volkswagen AG also has access to an overall picture of the current risk situation via the documented reporting channels during the year.

Calculation of risk score

Risk score

$$= \text{Likelihood of occurence} \times \text{Potential extent of damage}$$

$$= \text{Score}_{\text{Wkt}} \times \left[\text{Score}_{\text{Mat}} + \frac{\text{Score}_{\text{Immat}} + \text{Score}_{\text{Vorg}}}{2} \right]$$

Second line:
Group risk management and ICS

Each quarter, in addition to the ongoing operational risk management, the group risk management department of the Volkswagen Group 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 Volkswagen’s group risk management department.

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 Volkswagen 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 Volkswagen’s group risk management department.

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 2023.

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 of Volkswagen AG and the audit committee of the supervisory board of Volkswagen AG. In addition, 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, which it has 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 Risk Radar 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 Volkswagen Group’s compliance management system (“CMS”) is also subject to these control and adjustment mechanisms. External experts assist in the continuous enhancement of the Volkswagen Group’s RMS, CMS and ICS on a case-by-case basis.

Third line:
Review by Volkswagen Group Internal Audit

Volkswagen Group Internal Audit helps the board of management of Volkswagen AG 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 compliance management system (CMS) as part of its independent audit procedures. The audit plan adopted by the board of management of Volkswagen AG 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 requirements for a risk early warning system are met by means of the RMS and ICS elements described above (first and second line). The Volkswagen Group’s risk situation is ascertained, assessed and documented and therefore also complies with legal requirements. 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. Volkswagen AG's auditor examines the Volkswagen Group's risk early warning system integrated in the risk management system 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 Volkswagen Group's financial services division. 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 Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin" – the German Federal Financial Supervisory Authority). 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 Volkswagen Group's RMS, CMS and ICS at a Volkswagen AG board of management meeting. The Volkswagen AG board of management has received no information to indicate that the Volkswagen Group's RMS or ICS as a whole were inadequate or ineffective in the fiscal year 2023.

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.

The risk management and integrated internal control system in the context of the financial reporting process at 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 group 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 the 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 aim of the Volkswagen IFRS Accounting Manual, which has been prepared taking into consideration external expert opinions, is to ensure the application and assessment of uniform accounting policies based on the requirements applicable to the parent company 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 Volkswagen 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 Volkswagen 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 Volkswagen AG auditors 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 Volkswagen Group’s internal control system 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.

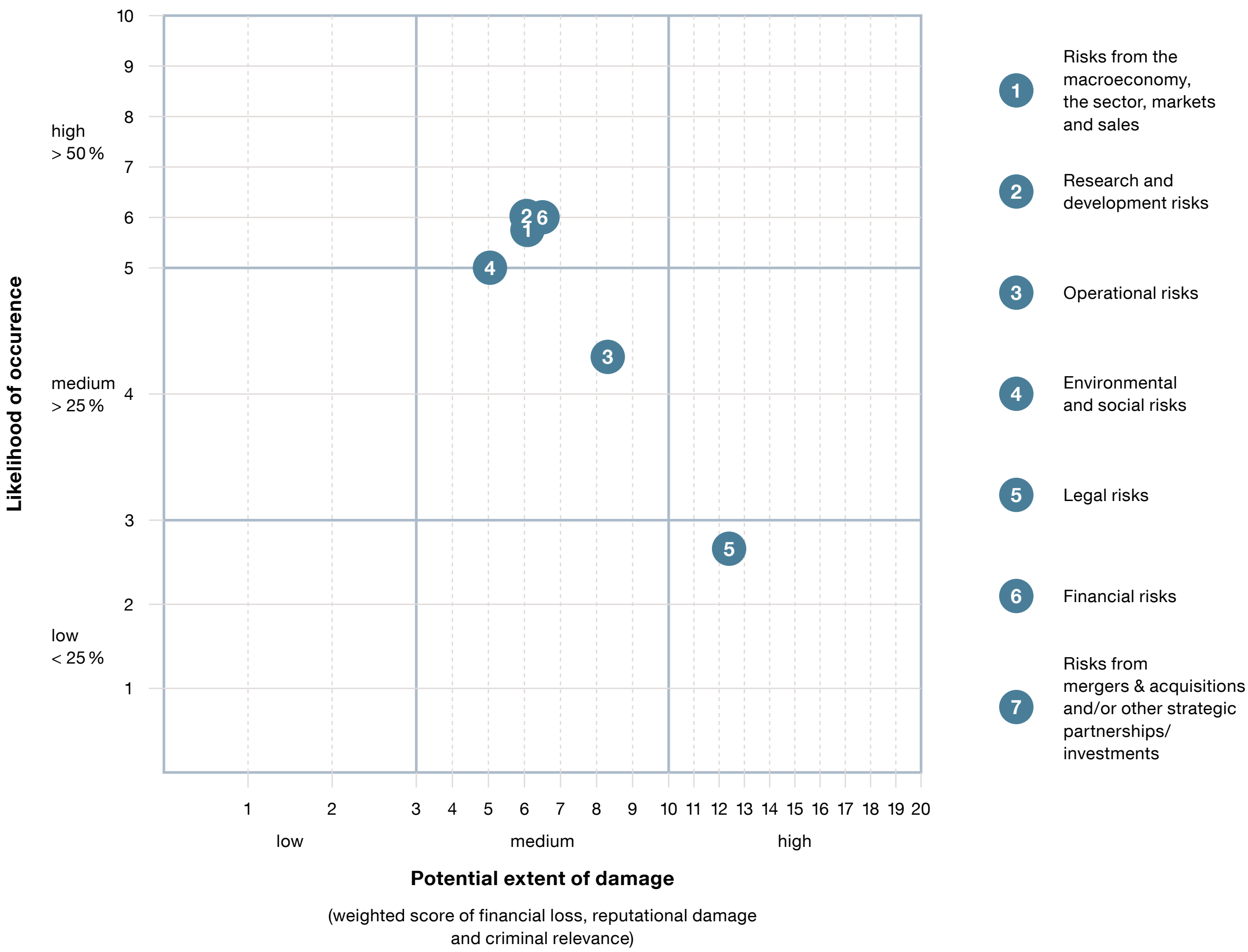
The combined group management report of the Volkswagen Group and Volkswagen AG is prepared – in accordance with the applicable requirements and regulations – centrally but with the involvement of and in consultation with the Volkswagen Group units and companies.

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 section 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. For 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.

The assessment of the Volkswagen Group’s risk categories and the reports to the Volkswagen AG board of management include amongst other items 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. The risk categories are plotted based on the average scores. In the reporting year, no risks with such scores were reported at Volkswagen for the “Risks from mergers & acquisitions and/or other strategic partnerships/investments” risk category.

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 the time of preparing its management report, 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, risks in the power engineering business area, sales risks, risks from the Russia-Ukraine war and the confrontations in the Middle East as well as other factors. Under risks from the Russia-Ukraine war and the confrontations in the Middle East, Volkswagen describes the risk that the ongoing Russia-Ukraine war as well as the confrontations in the Middle East will have a negative impact on the global economy and industry growth as well as the business activities of the Volkswagen Group, in particular as a result of rising prices and declining availability of energy. For this risk category, Volkswagen classifies the likelihood of occurrence as high (prior year: high) and the potential extent of damage is classified as medium (prior year: medium). 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, Volkswagen classifies the likelihood of occurrence as high (prior year: high) and the potential extent of damage is classified as medium (prior year: medium). 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 natural disaster, pandemics or violent confrontations – such as the Russia-Ukraine war or confrontations in the Middle East – 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, Volkswagen classifies the likelihood of occurrence as medium (prior year: high) and the potential extent of damage is classified as medium (prior year: medium). The most significant risks from the QRP lie particularly in cybersecurity and new regulatory requirements regarding IT, as well as in volatile procurement markets, here primarily in relation to the supply of parts, 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, Volkswagen classifies the likelihood of occurrence as high (prior year: medium) and the potential extent of damage is classified as medium (prior year: high). 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, Volkswagen classifies the likelihood of occurrence as low (prior year: medium) and the potential extent of damage is classified as high (prior year: high). The most significant risks from the QRP are associated with the diesel issue.

In the category “Financial risks”, the Volkswagen Group includes financial risks, in particular from changes in interest rates, exchange rates, raw material prices, or share and fund prices, risks arising from financial instruments, liquidity risks as well as risks and opportunities in the financial services business. For this risk category, Volkswagen classifies the likelihood of occurrence as high and the potential extent of damage is classified as medium. No risks with a score of 20 or more were reported by Volkswagen for this risk category in the prior year. The most significant risks from the QRP arise in particular from volatile foreign exchange markets.

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.

Volkswagen AG’s risk assessment regarding the diesel issue

An amount of around €0.9 billion (€1.4 billion) was included in the provisions of the Volkswagen Group for litigation and legal risks as of 31 December 2023 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 by Volkswagen at this stage, contingent liabilities relating to the diesel issue have been disclosed in the notes to the Volkswagen consolidated financial statements in an aggregate amount of €4.0 billion (€4.2 billion), whereby roughly €3.8 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. For further information on the legal risks in connection with the diesel issue, please refer to note [2] of the notes to the consolidated financial statements for the fiscal year 2023.

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 mentioned 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 cybersecurity, 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 2024, 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 war and the confrontations in the Middle East. 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.

Forecast report and outlook

General economic development in 2024

The planning is based on the assumption that global economic output will grow overall in 2024 compared with 2023, albeit at a slower pace. The persistently high inflation in major economic regions and the resulting restrictive monetary policy measures taken by central banks are expected to continue to dampen consumer demand. Risks continue to be seen in protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects; risks are associated in particular with the Russia-Ukraine war and the confrontations in the Middle East. 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 2024, it is expected for the euro to appreciate slightly against the US dollar and to remain at a similar level against sterling as in the reporting year. It is assumed that the Chinese renminbi, Brazilian real, Mexican peso, South African rand and Turkish lira will depreciate to varying degrees. Due to the difficult economic situation in Argentina and the uncertainty following the presidential election, the Argentinian peso is expected to depreciate sharply.

Whether there will be further changes in key interest rates in 2024 in the respective countries will depend firstly on the development of inflation and secondly on the scale of a possible economic downturn. Overall, a relatively slight increase in interest rates is expected on average in 2024 compared to 2023.

Market developments 2024 with regard to the core investments

Commodity price trends

For 2024, Volkswagen expects prices for some commodities to continue to fall due to the technological transformation and as a result of surplus supplies. For the majority of commodities, however, Volkswagen expects prices to rise given the anticipated recovery in the global economy.

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. Crisis-related disruption to the global supply chain and the resulting impact on vehicle availability may weigh on the volume of new registrations. Uncertainty may also arise from continued shortages of

intermediates and commodities. These may be further exacerbated by the consequences of the Russia-Ukraine war and the confrontations in the Middle East and may, in particular, lead to rising prices for materials and a declining availability of energy.

The Volkswagen Group predicts that trends in the markets for passenger cars in the individual regions will be mixed but predominantly positive in 2024. Overall, the global volume of new car sales is expected to be slightly higher than in the prior year.

Trends in the markets for light commercial vehicles in the individual regions will be mixed; on the whole, Volkswagen expects the sales volume for 2024 to be slightly above the prior-year figure.

Trends in the markets for commercial vehicles

For 2024, Volkswagen expects to see a noticeable downward trend in new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes compared with the prior year in the markets that are relevant for the Volkswagen Group, with variations from region to region.

A noticeable year-on-year increase in demand is anticipated for 2024 in the bus markets relevant for the Volkswagen Group, whereby this will vary depending on the region.

Trends in the markets for power engineering

For 2024, the market environment in the power engineering business area is generally expected to remain challenging. The current geopolitical situation and the development of energy and commodity prices will continue to generate uncertainty in virtually all markets.

Trends in the markets for financial services

Volkswagen anticipates that automotive financial services will prove highly important to global vehicle sales in 2024. The continuing shortages of intermediates and commodities may generate uncertainty, exacerbated by the consequences of the Russia-Ukraine war and the confrontations in the Middle East. Furthermore, the increased interest rates could 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 achieving mobility at the lowest possible total cost. The shift from financing to lease contracts that has begun in the European financial services business with individual customers will continue. 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. Additionally, Volkswagen expects that demand will increase for new forms of mobility, such as rental and car subscription services, and for integrated mobility services, for example parking, refueling and charging. 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 become increasingly important in the promotion of 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 2024.

Market developments 2024 with regard to the portfolio investments

Trends in the markets for M&A and venture capital

The activity of the global markets for M&A and venture capital is closely linked to macroeconomic and geopolitical factors. Due to the more stable investment environment compared to prior years and the reduced uncertainty with regard to interest rates and inflation expectations, Porsche SE expects M&A activity to increase in the course of 2024 compared to the prior year. Although the IPO market remains difficult as an exit option for private equity investors, Porsche SE expects the level of M&A activity in 2024 to recover from the sharp decline in 2022 and 2023. This is also due to the fact that the lower level of M&A activity over the past two years has led to a backlog of transactions of private equity portfolio companies, which is expected to gradually dissipate.

Due to the higher level of interest rates compared to prior years, Porsche SE expects the financing environment on the global market for venture capital to remain cautious, although the decline in valuation levels may present opportunities for investments.

Anticipated development of the Volkswagen Group

Volkswagen's planning is based on the assumption that global economic output will grow overall in 2024 compared with 2023, albeit at a slower pace. The persistently high inflation in major economic regions and the resulting restrictive monetary policy measures taken by central banks are expected to increasingly dampen consumer demand. Volkswagen continues to believe that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects; risks are associated in particular with the Russia-Ukraine war and the confrontations in the Middle East. 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.

In a challenging market environment, the Volkswagen Group anticipates that deliveries to customers in 2024 will increase by up to 3% compared to the prior year.

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 group and the passenger cars business area to exceed the prior-year figure by up to 5% in 2024. The operating return on sales for the Volkswagen Group and the passenger cars business area is likely to be between 7% and 7.5%. For the commercial vehicles business area, Volkswagen anticipates an operating return on sales of 8.5% to 9.5%, also amid a year-on-year increase of up to 5% in revenue. In the power engineering business area, Volkswagen expects revenue to be up to 2% above the prior-year figure and the operating result to be in the low three-digit million-euro range. For the financial services division, Volkswagen forecasts an increase of 3% to 7% in revenue compared with the prior year and an operating result in the range of €4.0 billion.

The Porsche AG Group's planning for 2024 assumes that average global economic output will continue to grow, albeit at a lower level compared to the reporting year. This is provided that geopolitical conflicts and tensions with global repercussions do not intensify any further. Furthermore, risks can be seen in protectionist tendencies, turbulence in financial markets, structural deficits in some countries, the real economic impact of high inflation rates and interest rates around the world. Furthermore, the forecast for 2024 assumes difficulties and continued high prices for intermediates and raw materials, including energy.

For 2024 as a whole, based on the aforementioned assumptions, the Porsche AG Group expects the operating return on sales to be between 15% and 17%. This forecast is based on assumed revenue in a range of €40 billion to €42 billion. In particular, reduced vehicle sales, regional and model-related shifts in sales, the continuing high cost level for the supply of parts as well as rising depreciation and amortization due to the extensive investments and higher personnel costs and non-personnel costs caused by inflation make it necessary to reduce the forecast for the operating return on sales compared to the reporting year.

Anticipated development of the Porsche SE Group

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

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

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

The result of the Porsche SE Group is also affected by the result from investments accounted for at equity with regard to Porsche AG that is attributable to Porsche SE and therefore on 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 deviations largely relate to protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects.

The following aspects are also taken into account in the forecast: For the fiscal year 2024, Porsche SE expects expenses for holding operations in the core investments segment to be generally comparable to those in the reporting year, with a slight decline in finance costs. In addition, a slightly negative investment result on a par with the reporting year is expected for the portfolio investments segment – excluding changes in market value – which will essentially correspond to the segment result after tax. With regard to the financial position, Porsche SE expects total dividend income of €1.7 billion and total dividend distributions to its shareholders of €783 million in the fiscal year 2024. Investments in portfolio companies in the low three-digit million-euro range are also planned.

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 €3.8 billion and €5.8 billion for the fiscal year 2024. The same applies for the result after tax for the core investments segment.

As of 31 December 2023, the Porsche SE Group has net debt of €5.7 billion. As of 31 December 2024, net debt of between €5.0 billion and €5.5 billion is expected for the Porsche SE Group.

Declaration of compliance

Pursuant to Secs. 289f and 315d HGB ["Handelsgesetzbuch": German Commercial Code], listed stock corporations must issue a declaration of compliance in the management report, and parent companies that are listed stock corporations in the group management report. We have published the declaration of compliance on our website at

https://www.porsche-se.com/en/company/corporate-governance

In accordance with the legal requirements and recommendations of the German Corporate Governance Code ("GCGC" or "Code"), Porsche Automobil Holding SE ("Porsche SE" or the "company") makes the following disclosures:

I. Basic principles of corporate governance

1. General corporate information

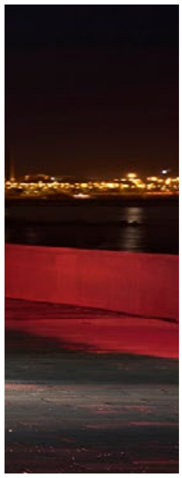
Porsche SE, with registered offices in Stuttgart, is entered in the commercial register of the local court of Stuttgart under HRB no. 724512.

The purpose of the company is the management of companies and the management of investments in companies operating in the following business fields or parts thereof:

- The development, design, manufacture and distribution of vehicles, engines of all kinds and other technical or chemical products as well as of parts and assemblies thereof;
- The provision of advice in the area of development and production, especially in the area of vehicle and engine construction;
- The provision of advice on and development of data processing as well as the creation and distribution of data processing products;
- The marketing of products using trademark rights;
- The provision of financial and mobility services;
- The exploitation, procurement, processing and distribution of raw materials used in the automobile industry;
- The generation and procurement of energy, especially of renewable energies, as well as trading with energy;
- The acquisition, holding and management as well as the disposal of real estate.

The purpose of the company includes, in particular, the acquisition, holding and management as well as the sale of investments in such companies, their combination under uniform control and the provision of support and advice to them, including the provision of services on behalf of such companies.

The corporate statutes of Porsche SE are based mainly on the European SE provisions, the SEAG ["SE-Ausführungsgesetz": German SE Implementation Act], the SEBG ["SE-Beteiligungs-gesetz": German SE Investment Act], the AktG ["Aktiengesetz": German Stock Corporation Act] as well as the provisions of the articles of association and the requirements of the GCGC. Like German



stock corporations, Porsche SE applies the dual management system, providing for a strict separation of the board of management and supervisory board. The board of management and supervisory board work hand in hand in the interest of the company.

The articles of association of Porsche SE, as amended from time to time, can be found on Porsche SE's website at

https://www.porsche-se.com/en/company/corporate-governance

2. Company and group structure

Porsche SE is a listed holding company with investments in the areas of mobility and industrial technology. The investments of Porsche SE fall into the categories core investments and portfolio investments.

In the core investments category, Porsche SE holds the majority of ordinary shares in Volkswagen AG, the parent company of the Volkswagen Group[1], one of the world's leading automobile manufacturers. Also included in the core investments category is the investment of 25% plus one share of the ordinary shares of Porsche AG, one of the world's most successful manufacturers of sports and luxury cars.

In the portfolio investments category, Porsche SE holds non-controlling interests in technology companies in North America, Europe and Israel. Porsche SE generally holds these investments for a limited period of time. Typically, such investments are characterized by their high potential for growth and for increasing value during the holding period.

3. Declaration regarding the German Corporate Governance Code (Sec. 161 AktG)

Pursuant to Sec. 161 (1) AktG in conjunction with Art. 9 (1) lit. c) ii) SE-VO ["SE-Verordnung": SE Regulation], the board of management and supervisory board of a listed SE having its registered office in Germany are obliged to make an annual declaration of compliance as to whether they have complied, and continue to comply, with the recommendations of the GCGC, as amended from time to time, or which of the recommendations contained in the Code have not been or are not applied, and why. In the event of changes during the year between two regular declarations, the declaration must be updated.

In the fiscal year 2023, Porsche SE submitted the annual declaration on conformity pursuant to Sec. 161 AktG in December 2023.

Wording of the declaration issued by Porsche SE in accordance with Sec. 161 (1) AktG in December 2023:

The board of management and supervisory board of Porsche Automobil Holding SE declare in accordance with Sec. 161 (1) AktG that, since the most recent declaration on conformity in December 2022, the company has complied with,

[1] In the following, the term "group" refers to a group as defined in the IFRS.

and will also in the future comply with, the recommendations of the GCGC published by the Federal Ministry of Justice in the official section of the German Federal Gazette in the version of the GCGC of 28 April 2022 published in the Federal Gazette on 27 June 2022, with the exception of the following deviations:

Recommendation B.5 GCGC:
B.5 GCGC recommends that an age limit be specified for members of the board of management and disclosed in the declaration of compliance. As there is no maximum age limit for members of the board of management, this recommendation has not been and will not be complied with. The supervisory board appoints members of the board of management based exclusively on their qualifications and their ability to conduct the company's business in the company's best interest. The suitability of the members of the board of management in this regard does not depend on their age. An age limit would also impose a general limitation on the selection of qualified candidates and may appear discriminatory.

Recommendation C.2 GCGC:
C.2 GCGC recommends that an age limit be specified for members of the supervisory board and disclosed in the declaration of compliance. This recommendation has not been and will not be complied with. The supervisory board is still of the opinion that the ability of a supervisory board member to monitor and advise the board of management in its management of the company does not cease upon having reached a certain age. A fixed age limit may also appear discriminatory.

Recommendation C.13 sentence 1 GCGC:
C.13 sentence 1 GCGC recommends that, in its election proposals to the annual general meeting, the supervisory board disclose the personal and business relationships of every candidate with the company, the governing bodies of the company and any shareholders with a material interest in the company. As regards this recommendation, a deviation has been and is declared as a precautionary measure. The requirements of the Code are not specific and their limits and scope are unclear. The supervisory board has endeavored in the past and will continue to endeavor in the future to meet the requirements of C.13 sentence 1 GCGC; however, in light of the lack of specificity as well as the unclear scope and limits of the recommendation, the supervisory board cannot rule out that the recommendation has not been or will not be fully complied with.

Recommendation G.1, 1st indent GCGC:
G.1, 1st indent GCGC recommends that the remuneration system define how the target total remuneration is determined for each member of the board of management and stipulate the amount that the total remuneration must not exceed (maximum remuneration). Some interpret this recommendation to mean that the supervisory board is to individually set the maximum remuneration for each member of the board of management in the remuneration system. In compliance with the provisions of the AktG, the supervisory board of Porsche Automobil Holding SE has determined a collective maximum remuneration for the full board of management. As before, the board of management service agreements will not necessarily provide for a contractually agreed maximum remuneration in the future either. The background to this is that, during the standard four-year term of validity of the remuneration system, it should be possible to decide on the individual maximum remuneration on a case-by-case basis within the framework of the defined maximum remuneration for the full board of management. As a precautionary measure, it is therefore declared that the recommendation of G.1, 1st indent GCGC has not been and will not fully be complied with in that no maximum remuneration has been individually defined in the remuneration system for each member of the board of management.

Recommendation G.10 sentence 1 GCGC:
G.10 sentence 1 GCGC recommends that, taking the respective tax burden into consideration, board of

management members' variable remuneration be invested predominantly in company shares by the respective board of management member or be granted accordingly as share-based remuneration. The board of management remuneration system of Porsche Automobil Holding SE and the board of management service agreements of the current members of the board of management (insofar as they provide for variable remuneration) do not provide for either mandatory investment in company shares or share-based variable remuneration. This is based on the consideration that, in the case of Porsche Automobil Holding SE, the price of the company's shares largely depends on external factors beyond the board of management's control and, therefore, in the view of the supervisory board, the share price cannot reasonably be used as an incentive. Therefore, the recommendation in G.10 sentence 1 GCGC has not been and will not be complied with.

Recommendation G.10 sentence 2 GCGC:
G.10 sentence 2 GCGC recommends that awarded long-term variable remuneration components be accessible to board of management members only after a period of four years. The board of management remuneration system and the board of management service agreements of the current members of the board of management (insofar as they provide for variable remuneration) continue to provide for a two-year retention period after the bonus-relevant fiscal year. In deviation from G.10 sentence 2 GCGC, this means, in principle, that at the time of disbursement the long-term incentive component is accessible after a period of three years. The supervisory board takes the view that a two-year retention period after the bonus-relevant fiscal year is sufficient for the remuneration of the members of the board of management of Porsche Automobil Holding SE and that it would not be appropriate to extend the retention period for the long-term incentive components to four years. Therefore, the recommendation in G.10 sentence 2 GCGC has not been and will not be complied with.

Recommendation G.12 GCGC:
G.12 GCGC recommends that, if a board of management member's contract is terminated, the disbursement of any remaining variable remuneration components attributable to the period until contract termination be based on the originally agreed targets and comparison parameters, and on the due dates or holding periods stipulated in the contract. When the former board of management member Mr. Philipp von Hagen left the company's board of management, it was agreed with him to set the performance-related bonuses for the years 2020 and (pro rata) 2021 remaining outstanding until termination of the contract at the prior-year level and not to apply the originally planned determination/disbursement requirements for the performance-related bonuses for the years 2018 to (pro rata) 2021 (positive group result and positive net liquidity of Porsche Automobil Holding SE). Thus, the targets originally agreed for Mr. von Hagen were not and will not be applied unchanged to the outstanding variable remuneration for the period until termination of his contract. It is therefore declared that regarding the outstanding variable remuneration payments for Mr. von Hagen for the years 2018 to 2021 the recommendation in G.12 GCGC has not been and will not be complied with in the future.

Recommendation G.13 sentence 1 GCGC:
G.13 sentence 1 GCGC recommends that any payments made to a board of management member due to early termination of their board of management activity not exceed twice the annual remuneration (severance cap) and not constitute remuneration for more than the remaining term of the employment contract. The agreement entered into with Mr. von Hagen in connection with his exit providing for the setting of performance-related bonuses for the years 2020 and (pro rata) 2021 at the prior-year level and non-application of the disbursement requirements to the performance-related bonuses for the years 2018 to (pro rata) 2021 could, under certain circumstances, lead to Mr. von Hagen receiving higher remuneration for the residual term of his contract of employment than he would have received if the contract remained in place unchanged (e.g., if it later transpired that the originally agreed requirements for disbursement of the outstanding performance-related bonuses for 2018 to 2021 were not fulfilled for one or more years). In this case, the recommendation in G.13 sentence 1 GCGC would not be complied with due to the exit agreement entered into with Mr. von Hagen. As a precautionary measure, it is therefore declared that, in connection with the exit agreement entered into with Mr. von Hagen, the recommendation in G.13 sentence 1 GCGC has not been and will not be complied with in the future.

II. Board of management

1. Composition of the board of management

The board of management of Porsche SE comprises at least two persons. The supervisory board may specify a larger number of members of the board of management.

In the fiscal year 2023, the board of management comprised four persons, Hans Dieter Pötsch (Chairman of the board of management), Dr. Manfred Döss (member of the board of management responsible for legal affairs and compliance), Dr. Johannes Lattwein (member of the board of management responsible for finance and IT) and Lutz Meschke (member of the board of management responsible for investment management).

In addition to his position on the board of management at Porsche SE, Mr. Pötsch also acts as chairman of the supervisory board of Volkswagen AG and member of the supervisory board of Porsche AG. Dr. Döss is also a member of the board of management of Volkswagen AG, where he is responsible for integrity and legal affairs; he also acts as chairman of the supervisory board of AUDI AG. Mr. Meschke also acts as deputy chairman of the board of management and member of the board of management responsible for finance and IT of Porsche AG. More information on the members of the board of management can be found at

https://www.porsche-se.com/en/company/executive-board

When appointing board of management members, the supervisory board ensures that the board of management collectively has the knowledge, skills and experience required to properly perform all of its duties. In order to meet these requirements, the supervisory board has resolved to introduce, among other things, a diversity concept aimed at diversifying the board of management. The company is convinced that securing a diverse composition of the board of management promotes diversity of opinion and knowledge and helps its members make balanced decisions and identify operational and financial opportunities and risks early on. Regardless of this, the best interest of the company always comes first when filling a specific position on the board of management, taking into account the circumstances of the individual case. The supervisory board is therefore guided in its decision mainly by the professional knowledge and personal suitability of the candidates.

The composition of the board of management should particularly reflect, where possible, the following diversity aspects with the objectives they express:

- Taking into account the experience required to serve on the board of management, a range of age groups should be appropriately represented on the board of management. There should be no specific requirements regarding the age of individual or all board of management members so as not to unduly restrict the ability of the supervisory board and executive committee to select suitable candidates for the board of management. In particular, there is no maximum age limit or term of office for the members of the board of management.

- In accordance with Sec. 111 (5) AktG, the supervisory board last resolved in 2022 to set a target of 25% for female representation on the board of management by 31 May 2027. No target deviating from this percentage was set for the board of management's diversity concept. The gender-specific requirements for the composition of the board of management introduced by the FüPoG II ["Zweites Führungspositionen-Gesetz": Second Act on Equal Participation of Men and Women in Management Positions] do not apply to Porsche SE.

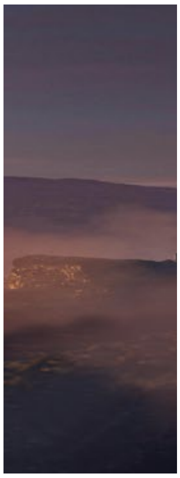
- The members of the board of management should complement each other in terms of their educational and professional background and cover as broad a range of knowledge and experience as possible. In this context, particularly the role of the company as an investment management holding company and the company's respective investment portfolio must be given due consideration.

- The composition of the board of management should reflect an appropriate degree of international diversity in consideration of the fact that the company holds foreign investments as well as German investments with international operations. In light of this, at least one board of management member should have international experience obtained, in particular, from a professional activity or training abroad or resulting from the candidate's origin.

The diversity concept is implemented by the supervisory board, which takes into account the above-mentioned diversity criteria and their objectives when appointing board of management members.

The requirements of the diversity concept for the board of management have been met, with the exception of the target for female representation, which has an implementation deadline of 31 May 2027.

Sec. 76 (4) AktG requires that the board of management specify targets for the percentage of women at the two management levels below the board of management and set a deadline for achieving these targets. By resolution of 22 June 2022, the board of management decided to again set the targets for female representation at the two management levels below the board of management at 25% each, setting 31 May 2027 as the implementation deadline. Female representation at the first management level is currently 33% and at the second management level 25%.

In accordance with recommendation B.2 half-sentence 1 GCGC, the supervisory board together with the board of management is required to ensure that there is long-term succession planning for the board of management. The executive committee responsible for board of management matters once again addressed this topic in depth in the fiscal year 2023. The executive committee and the board of management also discuss this topic regularly. If a board of management position needs to be filled, suitable candidates are identified in a structured process, considering candidates from both within and outside of the company. Some of the current board of management functions may also be combined following a change in the board of management.

2. Working methods of the board of management

The board of management has sole responsibility for the management of the company and the Porsche SE Group in the interest of the company and represents the company in transactions with third parties. Its main duties pertain to setting the strategic focus and management of Porsche SE as well as the establishment and monitoring of an appropriate and effective internal control and risk management system. The duties and responsibilities of the board of management are specified in more detail in the rules of procedure issued by the supervisory board.

In the reporting year, corporate governance took into consideration conflicts of interest that could have arisen, among other things, from membership on two boards (for example, at Porsche SE on the one hand and at Volkswagen AG or Porsche AG on the other) and addressed these in the best interests of Porsche SE. For example, Mr. Pötsch and Dr. Döss were not involved in the resolution on the voting behavior of Porsche SE at the annual general meeting of Volkswagen AG. Likewise, Mr. Pötsch and Mr. Meschke were not involved in the resolution on the voting behavior of Porsche SE at the annual general meeting of Porsche AG.

The members of the board of management are jointly responsible for all aspects of the management of the company. The full board of management decides on all matters of material or fundamental importance. This overall responsibility notwithstanding, each member of the board of management independently manages the business area assigned to him as far as the decision is not – in matters of material or fundamental importance – the responsibility of the full board of management.

The board of management Informs the supervisory board regularly, without delay and comprehensively about all aspects that are relevant to the company regarding the strategy, planning, business development, risk situation, risk management, including the organizational risks relating to the internal control system, and compliance of the company and consults with the supervisory board on setting the strategic focus. The chairman of the board of management is responsible for organizing and coordinating cooperation with the supervisory board and its members; he is responsible for ensuring that the supervisory board is informed in a timely, conscientious and comprehensive manner. In addition, he is responsible for ensuring that Porsche SE continues to thrive by having constant personal contact and dialog with the chairman of the supervisory board.

For certain types of transactions, the board of management requires the prior approval of the supervisory board. These include the acquisition and sale of companies and equity investments if the value of the individual transaction exceeds €25 million; the establishment and liquidation of investment companies and the establishment and closure of plant locations where the transaction in question is of significant importance for the company; the assumption of guarantees, the acceptance of liabilities and warranties that are not in the ordinary course of the company's business if the value of the individual transaction exceeds €5 million; and transactions by ordinary shareholders, supervisory board members or family members of such persons that are not in the ordinary course of the company’s business.

Board of management meetings are held regularly, generally once a month. They are convened by the chairman of the board of management. The chairman of the board of management is obliged to convene a meeting of the board of management at the request of a member of the board of management. In the fiscal year 2023, the board of management usually met twice a month.

The board of management has a quorum if all members of the board have been invited and at least half of its members attend the meeting in person or via electronic media. Resolutions are passed by a majority vote of the participating board members. In derogation of Art. 50 (2) sentence 1 SE-VO, the chairman does not cast the deciding vote in the event of a tied vote. The chairman of the board of management determines the type of vote. If no board of management member objects, decisions can also be taken by circular resolutions.

3. Instruments of corporate governance

In the context of responsible corporate governance at Porsche SE, compliance with the relevant legal requirements has the highest priority. Porsche SE follows the recommendations of the GCGC as regards both the individual entity and the group in the scope set out in the declaration on the GCGC and in potential updates. Furthermore, the board of management of Porsche SE has put in place internal guidelines to ensure compliance with the legal requirements, as Porsche SE’s reputation is affected by the actions and behavior of everyone at the company.

The managers of Porsche SE are largely responsible for ensuring that the guidelines and rules within the company are strictly observed and complied with. In day-to-day business, every manager must seek to ensure that employees have the greatest possible freedom of action, without neglecting the fundamental principles of good corporate governance. To ensure this is the case, Porsche SE regularly provides its managers and employees with training that focuses on the content of its internal guidelines.

The managers of Porsche SE ensure that the corporate governance practices set out above are complied with at its fully consolidated subsidiaries to the extent they are applicable there. Porsche SE’s most important investments, i.e., Volkswagen AG and Porsche AG, are both responsible for making their own decisions on the corporate governance practices to be applied within the respective group and report on them in their respective group management reports, with the Porsche AG Group forming part of the Volkswagen Group.

Financial reporting and annual audit

The consolidated financial statements of Porsche SE are prepared applying the International Financial Reporting Standards (IFRSs) as adopted by the European Union as well as the provisions of German commercial law applicable under Sec. 315e (1) HGB. The financial statements of Porsche SE as the parent company of the Porsche SE Group are based on the accounting provisions of the German Commercial Code and the special accounting provisions of the German Stock Corporation Act. The auditor for the fiscal year 2023 and for the review of the half-yearly financial report 2023 is Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as an independent auditor. In addition, the facts underlying the declaration on conformity in accordance with Sec. 161 (1) AktG are taken into consideration during the annual audit. The chairman of the audit committee is informed of any factual findings made by the auditor that indicate that the declaration on conformity is inaccurate. The auditor is also required to note such inaccuracies in the audit report.

Compliance

In accordance with the provisions of the GCGC, the board of management ensures compliance with legal provisions and internal policies, and works toward ensuring compliance. Porsche SE has a board of management function dedicated to legal affairs and compliance. The duty of Porsche SE's member of the board of management responsible for legal affairs and compliance is to report to the full board of management on all issues relating to compliance, to introduce preventive measures, manage and monitor these and work towards compliance with regulations. Compliance activities are based on a preventive strategy.

Porsche SE has set up a compliance council that regularly addresses the company's compliance. It supports the board of management member responsible for legal affairs and compliance in performing his duties, in particular in monitoring compliance with the legal provisions applicable to the company and its employees as well as preventing potential infringements.

Porsche SE has given employees and third parties the opportunity to report suspected breaches of the law within the company via various channels. Any reports received are treated with the utmost confidentiality. The protection of whistleblowers is a top priority for the company.

An internal company policy of Porsche SE specifies the organizational units and decision makers responsible for procedures relating to compliance.

Compliance and integrity at Porsche SE are also ensured by a code of conduct that is binding for all employees and the board of management of Porsche SE. This code of conduct is specified and supplemented by internal company policies on compliance and other selected topics, as amended from time to time.

Risk management system and internal control system

The Porsche SE Group has a Porsche SE group-wide risk management and internal control system in place that helps the management identify major risks at an early stage, thus enabling them to initiate countermeasures in good time. The risk management and internal control system is structured at the due discretion of the board of management and, in accordance with Sec. 91 (3) AktG, takes into account the scope of the business activities and risk situation of the company. The risk management and internal control system at the Porsche SE Group is continuously tested for effectiveness and continually optimized to reflect any changed conditions. In the fiscal year 2023, the board of management and supervisory board did not have any indication that the appropriateness or

effectiveness of the risk management system and internal control system might be inadequate. Further details on the risk management and internal control system are explained in the “Opportunities and risks of future development” section of the annual report.

Communication und transparency

Porsche SE attaches great importance to transparent communication and regularly keeps shareholders, financial analysts, shareholder associations, the media and the general public informed about the situation of the company and its business development. This information can be accessed, in particular, on the website

https://www.porsche-se.com

(„Porsche SE-Homepage“), which contains all press releases and financial reports as well as the articles of association of Porsche SE, the rules of procedure for the supervisory board and information about the annual general meeting.

In addition to regular reporting, Porsche SE also provides information in the form of ad hoc announcements about insider information directly affecting Porsche SE in accordance with Art. 17 of the European Market Abuse Directive. These ad hoc announcements are also published on the homepage of Porsche SE.

Environmental, employee and social matters as well as respect for human rights

Porsche SE attaches great importance to environmental, employee and social matters as well as respect for human rights. This is also reflected in several of Porsche SE’s investments that have sustainability aspects enshrined in their business models. Porsche SE expects the importance of sustainability aspects in the business models of Porsche SE’s investments to increase even further. In this context, the topic of Environmental, Social, Governance (“ESG”), which describes the basic principles of sustainable management, also plays a key role for Porsche SE. The board of management and supervisory board expressly acknowledge the particular importance of ESG-related topics for the business activity of Porsche SE. The supervisory board has nominated Mag. Marianne Heiß as its ESG specialist.

4. Remuneration

The supervisory board decided on the remuneration system currently in place for the members of the board of management of Porsche SE on 3 December 2020. Under this system, the remuneration for the members of the board of management is made up of fixed, non-performance-related as well as variable, performance-related remuneration components. This remuneration system was presented to the annual general meeting for approval on 23 July 2021 and was unanimously approved by the annual general meeting. The supervisory board updated this remuneration system and decided on the revised remuneration system on 4 December 2023. The revised remuneration system is to be presented to the annual general meeting for approval in 2024 and, if approved by the annual general meeting, will be applied retroactively as of 1 January 2024. Under this updated system, the remuneration for the members of the board of management continues to be made up of fixed, non-performance-related as well as variable, performance-related remuneration components.

The remuneration report for the fiscal year 2023 prepared by the board of management and supervisory board and the auditor's report pursuant to Sec. 162 AktG and the currently applicable remuneration system pursuant to Sec. 87a (1) and (2) sentence 1 AktG are published on our website at

https://www.porsche-se.com/en/company/corporate-governance

5. Securities transactions of the board of management members

In accordance with Art. 19 of the European Market Abuse Regulation, members of the board of management and persons closely associated with them must disclose managers' transactions in Porsche SE shares or debt securities or any related derivatives or other related financial instruments. Porsche SE publishes announcements about transactions of this kind on the Porsche SE homepage and in other media.

III. Supervisory board

1. Composition of the supervisory board

The size and composition of the supervisory board of Porsche SE are based on the European SE provisions and a co-determination agreement entered into with representatives of the Porsche's European employees in 2007 and as amended by the agreements dated 1 February 2017 and 9 September 2022 as well as the provisions of the articles of association.

The supervisory board comprises exclusively members appointed by the annual general meeting (shareholder representatives). In accordance with the articles of association, the supervisory board comprises ten shareholder representatives, who are listed on the Porsche SE homepage at

http://www.porsche-se.com/en/company/supervisory-board

As required by law and the articles of association as well as in compliance with the recommendations of the GCGC followed by the company, the composition of the supervisory board of Porsche SE ensures the qualified monitoring of, and provision of advice to, the board of management at all times. Monitoring and advice also include sustainability issues. The supervisory board has to ensure that its members collectively have the knowledge, skills, and professional expertise required to properly perform these duties. For this purpose, the composition of the supervisory board reflects in particular the activities of the company as a capital-market-oriented investment holding company with international operations in the area of mobility solutions as well as the ownership structure of the company.

Against this background, the supervisory board has adopted, in accordance with recommendation C.1 of the GCGC, a profile of skills and expertise as well as additional objectives regarding its composition aiming, in particular, for a diverse composition of the supervisory board (together the “profile of requirements”). The recommendations of the nominations committee to the supervisory board and the supervisory board’s recommendations for election to the annual general meeting should take appropriate account of the criteria set out in the profile of requirements for searching for and selecting suitable candidates.

The full supervisory board should have skills that are of material importance for the activities of the company as a capital-market-oriented investment holding company with international operations in the areas of mobility solutions. This includes in particular knowledge, skills and professional experience in

- monitoring and advising the management of capital-market-oriented companies with international operations;
- developing, designing, manufacturing and selling vehicles and vehicle components on the international market;
- the area of technical and scientific innovations, in particular the automotive industry and its digitalization as well as the development of smart traffic and mobility concepts;
- company mergers and acquisitions;
- accounting, controlling, risk management as well as legal affairs and compliance at capital-market-oriented companies with international operations;
- sustainability issues of importance for the company.

Irrespective of the above, there must be at least one member of the supervisory board at all times who has expertise in the area of financing reporting and at least one other member of the supervisory board who has expertise in the area of auditing. Furthermore, one of these members of the supervisory board or another member of the supervisory board must have both specific knowledge and experience in applying accounting principles and using internal control and risk management systems and be familiar with statutory audits. The members of the full supervisory board must be familiar with the sectors in which the company operates.

In accordance with recommendation C.1 sentence 5 GCGC, the status of the implementation of the profile of skills and expertise must be disclosed in a qualification matrix.

Qualification matrix of the supervisory board of Porsche Automobil Holding SE in accordance with recommendation C.1 sentence 5 GCGC 2022

In accordance with recommendation C.1 sentence 1 of the German Corporate Governance Codex (GCGC 2022), the supervisory board of Porsche SE has set specific targets for its composition and developed a profile of skills and expertise. The full supervisory board is familiar with the field of activity of the company as a capital-market-oriented investment holding company with international operations in the area of mobility solutions and has competencies that are of material importance for the activities of the company. Based on an annual self-assessment, the members of the supervisory board currently have the following qualifications which, according to the objectives of the supervisory board, should be represented within the full supervisory board.

	Dr. Wolfgang Porsche	Dr. Hans Michel Piëch	Mag. Josef Michael Ahorner	Mag. Marianne Heiß	Dr. Günther Horvath	Prof. Dr. Ulrich Lehner	Sophie Piëch	Dr. Ferdinand Oliver Porsche	Peter Daniell Porsche	Prof. KR Ing. Siegfried Wolf
General information										
Independence as defined by recommendation C.7 GCGC 2022	●	●	●	●	●	●	●	●	●	●
Qualification[1]										
Monitoring and advising the management	●	●	●	●	●	●	●	●	●	●
Vehicles and vehicles components	●	●	●					●	●	●
Technical and scientific innovations	●	●		●	●	●	●	●	●	●
Company mergers and acquisitions	●	●		●	●	●		●	●	●
Accounting, controlling, risk management, legal affairs and compliance		●		●	●	●		●		
Sustainability				●		●	●		●	
Financial reporting				●		●		●		
Auditing				●		●		●		

[1] The qualifications mentioned below provide a brief description of the knowledge, skills and professional experience described in more detail in the company's skills and expertise profile.

As regards the composition of the supervisory board, the following targets and diversity aspects should also be taken into account, where possible, with the objectives they express ("Targets for the composition of the company's supervisory board and diversity concept"):

- More than half of the members of the supervisory board (in any case for as long as the supervisory board consists solely of shareholder representatives) should be considered independent from the company and the board of management pursuant to recommendation C.7 of the GCGC.

- At least two members of the supervisory board should be independent from the controlling shareholders pursuant to recommendation C.9 of the GCGC.

- Pursuant to recommendation C.11 of the GCGC, no more than two former members of the board of management should belong to the supervisory board.

- Pursuant to recommendation C.12 of the GCGC, members of the supervisory board should not be members of governing bodies of, or exercise advisory functions at, significant competitors of the company and should not have any personal relationships with a significant competitor.

- In accordance with Sec. 111 (5) AktG, the supervisory board in 2022 set a target of 10% for female representation on the supervisory board by 31 May 2027. For the supervisory board's diversity concept, no target deviating from this percentage is to be set. Since the annual general meeting appointed Ms. Sophie Piëch in 2023, the supervisory board has had two female members, giving a female representation of 20%, thus exceeding the target set for female representation on the supervisory board.

- The supervisory board should exclusively comprise individuals who are able to devote the amount of time necessary to properly fulfill their duties as supervisory board members.

- In terms of its composition, the supervisory board should ensure an appropriate age structure. There is no age limit for members of the supervisory board or a maximum term of office to be served on the supervisory board. The supervisory board is still of the opinion that the ability to monitor and advise the board of management in its management of the company does not cease upon having reached a certain age or upon having served a certain term of office. A fixed age limit may also appear discriminatory.

- The members of the supervisory board should complement each other in terms of their educational and professional background and cover as broad a range of knowledge and experience as possible. In this context, particularly the role of the company as an investment management holding company and the company's respective investment portfolio must be given due consideration.

- The composition of the supervisory board should reflect an appropriate degree of international diversity considering the fact that the company holds foreign investments as well as German investments with international operations. In light of this, at least three supervisory board members should have international experience obtained either from a professional activity or training abroad or resulting from the member's origin.

Unless indicated otherwise, the above-mentioned targets relate to the full supervisory board. The supervisory board may only submit proposals for the election of a supervisory board member to the annual general meeting. Supervisory board members are generally elected by the annual general meeting.

Proposals for the election of supervisory board members submitted to the annual general meeting of Porsche SE must meet the statutory requirements for the composition of the supervisory board and should take into account the self-imposed targets of the profile of requirements. When making recommendations to the supervisory board, the nominations committee should therefore appropriately take into account the criteria set out in the profile of requirements when searching for and selecting suitable candidates.

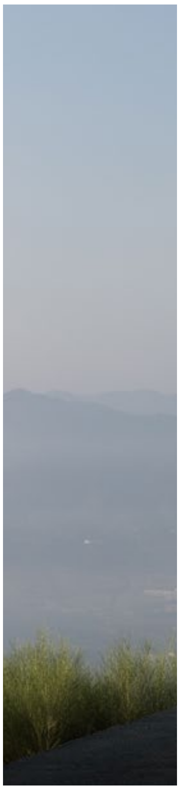
In the company's opinion, the criteria of the profile of requirements are met in full by the current composition of the supervisory board.

The term of office of the supervisory board members Mag. Josef Michael Ahorner, Mag. Marianne Heiß, Dr. Günther Horvath, Dr. Stefan Piëch and Peter Daniell Porsche, elected by the annual general meeting on 15 May 2018, ended at the end of the annual general meeting on 30 June 2023. Dr. Stefan Piëch was not available for an additional term of office. At the proposal of the supervisory board – based on the recommendation of the nominations committee – the annual general meeting therefore elected Ms. Sophie Piëch for the first time and Mag. Josef Michael Ahorner, Mag. Marianne Heiß, Dr. Günther Horvath and Peter Daniell Porsche as members of the supervisory board for an additional term until the end of the annual general meeting that resolves on the approval of the acts of the members of the supervisory board for the fiscal year 2027.

The members of the full supervisory board are familiar with the sectors in which the company operates. Furthermore, there are members of the supervisory board who have specialist knowledge in the areas of financial reporting and auditing. In accordance with the legal requirements under FISG [“Finanzmarktintegritätsstärkungsgesetz”: Financial Market Integrity Strengthening Act], there are at least two supervisory board members who have this specialist knowledge. Pursuant to Sec. 100 (5) AktG, there must be at least one member of the supervisory board who has expertise in the area of accounting and at least one other member of the supervisory board who has expertise in the area of auditing. The supervisory board has two members, audit committee members Prof. Dr. Ulrich Lehner and Dr. Ferdinand Oliver Porsche, who have extensive knowledge and specific expertise in these areas thanks to their many years of experience in dealing with issues relating to accounting, auditing and internal control procedures.

Furthermore, the supervisory board is of the opinion that it has an appropriate number of members who are independent shareholder representatives. In any case, the following members of the supervisory board are independent from the company and its board of management within the meaning of recommendation C.7 GCGC: Mag. Josef Michael Ahorner, Mag. Marianne Heiß, Dr. Günther Horvath, Ms. Sophie Piëch, Mr. Peter Daniell Porsche and Prof. KR Ing. Siegfried Wolf. Dr. Wolfgang Porsche, Dr. Hans Michel Piëch, Dr. Ferdinand Oliver Porsche and Prof. Dr. Ulrich Lehner have been on the supervisory board for more than 12 years, thus fulfilling one of the indicators for a potential restriction of their independence within the meaning of recommendation C.7 GCGC. Nonetheless, the supervisory board is of the opinion that Dr. Wolfgang Porsche, Dr. Hans Michel Piëch, Dr. Ferdinand Oliver Porsche and Prof. Dr. Ulrich Lehner are independent. The work of the supervisory board and its committees shows that Dr. Wolfgang Porsche, Dr. Hans Michel Piëch, Dr. Ferdinand Oliver Porsche and Prof. Dr. Ulrich Lehner continue to have the required critical distance from the company and its board of management that allows them to appropriately monitor and assist the board of management in managing the company.

The following members of the supervisory board are members who are independent from the controlling shareholders within the meaning of recommendation C.9 GCGC: Mag. Marianne Heiß, Prof. Dr. Ulrich Lehner and Prof. KR Ing. Siegfried Wolf.



2. Working methods of the supervisory board

The members of the supervisory board jointly fulfill the supervisory board's statutory duties and those imposed by the articles of association. The duties of the supervisory board include, in particular, monitoring and advising the management. In addition to this, certain types of transaction of the board of management require the prior approval of the supervisory board. Material transactions with related parties pursuant to Sec. 111b (1) AktG also require the approval of the supervisory board.

The supervisory board is subject to the rules of procedure that can be found on the Porsche SE homepage at

http://www.porsche-se.com/en/company/corporate-governance/

The supervisory board cooperates closely with the other company bodies for the good of the company. Its members have the same rights and duties; they are not bound by orders or instructions, especially not those of the shareholders.

The chairman of the supervisory board convenes supervisory board meetings giving at least fourteen days' notice. The supervisory board must meet at least twice in a calendar half year and should meet once a quarter. In addition, supervisory board meetings must be convened if there is a special reason. In the fiscal year 2023, the supervisory board convened four ordinary meetings.

All or individual members of the board of management participate in the meetings of the supervisory board as necessary. The supervisory board also has regular discussions without the board of management's participation. The chairman of the supervisory board decides whether the members of the board of management are to participate or not. Whenever a member requests to participate, the supervisory board decides. If the auditor attends a meeting as an expert, the board of management and the head of finance do not attend this meeting unless the supervisory board deems it essential that they participate.

The supervisory board has a quorum if all of its members have been invited and at least half of the members required by the articles of association participate in the resolution. Resolutions are passed by a majority vote of the participating board members.

In the event of a tied vote, the chairman casts the deciding vote. Resolutions of the supervisory board may also be passed in a telephone or video conference or outside meetings by casting votes in writing, over the phone, or in text form if the chairman of the supervisory board so determines.

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

In the reporting year, any conflicts of interest were handled in accordance with the following basic principle: the members of the supervisory board of Porsche SE determine whether there are any conflicts of interest, in particular prior to meetings and when passing resolutions, and disclose such conflicts if and as necessary. This applies especially to members who are also members of the supervisory board of Volkswagen AG or the supervisory board of Porsche AG. If the supervisory board members determine that a conflict of interest exists, the members concerned do not participate in the vote on the relevant resolution or abstain from voting. Members of the supervisory board cannot participate in a vote by voting yes or no if the resolution concerns a transaction with the company in which they are involved as a party or if the resolution concerns the initiation of a lawsuit between such members and the company.

The supervisory board assesses generally every two years the level of effectiveness with which the full supervisory board and its committees fulfill their duties. For this purpose, a questionnaire is distributed to the members of the supervisory board, in which they give their opinion as to the effectiveness of the working methods of the supervisory board and can suggest ways of improving them. The results of the evaluation of these questionnaires are discussed at the supervisory board’s next ordinary meeting, and possible improvements explored. The most recent self-assessment was conducted in the second half of the fiscal year 2022.

As a matter of principle, the members of the supervisory board are responsible for obtaining the (further) training required for fulfilling their duties and are supported in these endeavors by Porsche SE both in terms of organization and by assuming any costs incurred. The most recent training for the full supervisory board took place in December 2022 and provided information on current topics of relevance to the supervisory board of Porsche SE. Porsche SE also provides extensive support to new supervisory board members, including consulting internal and, if necessary, also external experts when they take office.

In the fiscal year 2023, the supervisory board again performed all the duties assigned to it by law or the articles of association. The supervisory board advised the board of management on managing the company and carefully monitored its actions. The supervisory board was also involved in all fundamental decisions. It was informed by the board of management regularly, comprehensively and without delay about the key aspects of business development, the results of operations as well as the risks and their management. The supervisory board made its decisions based on comprehensive reports and proposals for resolution provided by the board of management. The supervisory board had ample opportunity to discuss the reports and proposals for resolutions of the board of management in plenary sessions and in the committees. The board of management comprehensively informed the supervisory board about projects and transactions of particular importance or urgency, both at and outside meetings. The supervisory board passed all resolutions required by law or the articles of association, sometimes also by circular resolutions. The chairman of the board was in constant contact with the board of management. It was therefore possible to discuss events of exceptional importance for the situation and development of the group without delay.

Further information on the work of the supervisory board, in particular on the meetings in the fiscal year 2023 (e.g., on the attendance of the supervisory board members and on the topics discussed), can be found in the report of the supervisory board. The same applies for the work of the committees, which are described below.

3. Committees of the supervisory board and their working methods

In the fiscal year 2023, the supervisory board established a total of four committees (executive committee, audit committee, nominations committee and Phoenix committee) to carry out its duties. The Phoenix committee was dissolved in the current fiscal year as Project Phoenix was completed following the acquisition of 25% plus one share of the ordinary shares of Porsche AG and the conclusion of the corresponding financing agreements. The specific composition of the committees established in the fiscal year 2023 is presented in the attached overview.

The committee meetings are convened by the respective committee chairman; as a rule, meetings should, if possible, be convened with no less than one week's notice. Committees that take decisions on behalf of the supervisory board only have a quorum if all members participate in the resolution by voting or abstaining. Each committee chairman regularly informs the supervisory board about the activities of their committee.

The committees support the supervisory board and prepare supervisory board resolutions as well as topics for discussion by the full supervisory board. Moreover, decision-making powers of the supervisory board may be delegated to the individual committees to the extent permitted by law.

Executive committee

In urgent cases, the executive committee decides on transactions that require the approval of the supervisory board in accordance with the rules of procedure of the board of management. The executive committee also functions as a personnel committee and makes recommendations to the supervisory board on concluding, amending and terminating contracts of employment for members of the board of management. The executive committee is responsible for approving any ancillary activities of the board of management members. In addition, the executive committee drafts a proposal for the amount of each board of management member's variable remuneration for each full fiscal year, taking into account the respective business and earnings situation and based on the performance of the individual member of the board of management. This proposal is submitted to the supervisory board of Porsche SE for approval. Since the fiscal year 2023, the executive committee has also been responsible for preparing supervisory board resolutions and handling topics of discussion that are necessary or appropriate for implementing the investment strategy drawn up by the board of management. It may also make recommendations to the supervisory board.

The executive committee comprises the chairman of the supervisory board, his deputy and an additional member of the supervisory board. The chairman of the supervisory board is also the chairman of the executive committee.

Audit committee

The audit committee supports the supervisory board in monitoring the management of the company and deals in particular with reviewing accounting, monitoring the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, the statutory audit, in particular the selection and

independence of the auditor, the quality of the audit and the services additionally rendered by the auditor as well as compliance.

The audit committee's review of accounting particularly relates to the consolidated financial statements and the combined group management report, interim financial information and the annual financial statements prepared in accordance with HGB. The audit committee deals with the half-yearly financial report and the group quarterly statements for the supervisory board and discusses them with the board of management and the auditor. The audit committee also focuses on the dependent company report, the proposal for profit appropriation and, if necessary, the non-financial group report, and prepares them for review by the supervisory board.

In connection with the audit, the audit committee submits to the supervisory board a recommendation for the appointment of the auditor, which – except in cases where the auditor is reappointed – is prepared following a selection procedure within the meaning of Art. 16 (3) Regulation (EU) No 537/2014, includes at least two candidates and is substantiated. In addition, the audit committee monitors the independence of the auditor and ensures that the auditor's non-audit services assigned by the board of management do not give rise to any indication of grounds for exclusion or disqualification or that endanger the independence of the auditor. The audit committee is authorized to award the audit engagement to the auditor elected by the annual general meeting, to agree on the fee with the auditor and to determine the key topics of its audit and its information duties on behalf of the supervisory board. It also deals with the key audit matters and regularly assesses the quality of the audit.

Finally, the audit committee may, in accordance with the rules of procedures of the supervisory board, exercise the supervisory board's special inspection and audit rights pursuant to Sec. 111 (2) AktG where this appears necessary or useful in performing its duties. The audit committee is entitled to obtain information from the auditor and the board of management in connection with the performance of its duties. Furthermore, each member of the audit committee may directly obtain information via the chairman of the audit committee from the heads of the corporate functions responsible for performing the duties relating to the audit committee.

The audit committee consists of three members. At least one member of the audit committee must have specialist knowledge in the area of accounting, and at least one other member must have specialist knowledge in the area of auditing. In accordance with recommendation D.3 GCGC, expertise in the area of accounting consists of special knowledge and experience in the application of accounting principles and internal control and risk management systems, and the expertise in the area of auditing consists of special knowledge and experience in the auditing of financial statements. Accounting and auditing also include sustainability reporting and its audit and assurance. The chairman of the audit committee has to have appropriate expertise in at least one of the two areas. The chairman of the supervisory board should not chair the audit committee.

The above-mentioned requirements were met in the fiscal year 2023. Prof. Dr. Ulrich Lehner as chairman of the audit committee and Dr. Ferdinand Oliver Porsche as member of the audit committee each have the necessary expertise in the area of accounting and auditing. Both Prof. Dr. Ulrich Lehner and Dr. Ferdinand Oliver Porsche have profound expertise in the areas of accounting and auditing due in particular to their many years of performing management duties as well as their activities as supervisory board members of large corporations. Prof. Dr. Ulrich Lehner also worked as a tax advisor and auditor and worked at various companies in the areas of controlling, accounting and finance for several years. Dr. Ferdinand Oliver Porsche has deepened his knowledge in the area of auditing and accounting through his many years as chairman on the audit committee of Volkswagen AG.

The chairman of the board of management, the CFO, the board of management member responsible for legal affairs and compliance and the head of finance participate in the audit committee meetings unless the chairman of the audit committee decides otherwise in the individual case. If the auditor attends a meeting as an expert, the board of management and the head of finance do not attend this meeting unless the audit committee deems it essential that they participate. Regardless of this, the audit committee regularly consults with the auditor without the board of management's participation. In addition, the chairman of the audit committee also communicates with the auditor outside of meetings and reports to the audit committee on this communication.

Nominations committee

The nominations committee recommends suitable candidates to the supervisory board for the supervisory board's proposals to the annual general meeting concerning the election of supervisory board members. In the fiscal year 2023, the nominations committee convened once and proposed to the supervisory board that Ms. Sophie Piëch be elected for the first time and Mag. Josef Michael Ahorner, Mag. Marianne Heiß, Dr. Günther Horvath and Peter Daniell Porsche be elected for an additional term.

The nominations committee consists of three members. The chairman of the supervisory board always acts as the chairman of the nominations committee.

Phoenix committee

The supervisory board set up the Phoenix committee, initially comprising 5 members (4 members from 30 June 2023), as a non-permanent ad hoc committee for the period from 13 May 2022 to 25 September 2023 to facilitate regular monitoring, exchange of information and coordination with the board of management in connection with Project Phoenix. The Phoenix committee was authorized by the supervisory board to make decisions promoting the project to the extent permissible by law as a preparatory committee. As Project Phoenix came to an end following the completion of the acquisition of 25% plus one share of the ordinary shares of Porsche AG as well as the conclusion of the corresponding financing agreements, the supervisory board of Porsche SE dissolved the Phoenix committee on 25 September 2023.

4. Remuneration

The remuneration of Porsche SE's supervisory board members is governed by Art. 13 of the articles of association. Pursuant to this, the members of the supervisory board receive fixed remuneration for their work, the exact amount of which depends on the duties assumed on the supervisory board or its committees, and reimbursement of their expenses. No variable compensation is paid. The remuneration of the members of the supervisory board was last submitted to the annual general meeting for resolution on 23 July 2021 and was unanimously approved by the annual general meeting. No adjustments were made to the existing remuneration system in the fiscal year 2023.

The remuneration report for the fiscal year 2023 to be prepared by the board of management and the supervisory board and the auditor's report pursuant to Sec. 162 AktG as well as the most recent remuneration resolution pursuant to Sec. 113 (3) AktG are published on our website at

https://www.porsche-se.com/en/company/corporate-governance

5. Securities transactions of the supervisory board members

In accordance with Art. 19 of the European Market Abuse Regulation, members of the supervisory board as well as persons closely associated with them must disclose managers' transactions in Porsche SE shares or debt securities or any related derivatives or other related financial instruments. Porsche SE publishes announcements about transactions of this kind on the Porsche SE homepage and in other media.

IV. Shareholders and annual general meeting

Porsche SE's share capital is equally divided into ordinary shares and non-voting preference shares. To the extent provided for in the articles of association, the shareholders exercise their rights before or during the annual general meeting and, if they hold ordinary shares, exercise their voting rights. When passing resolutions, each ordinary share of Porsche SE carries one vote. There are no shares with multiple or preferential voting rights, nor are there any maximum voting rights.

Every shareholder is entitled to take part in the annual general meeting, to express an opinion on items on the agenda, to table motions and to demand information about company matters if this is necessary to properly judge an item on the agenda.

Annual general meetings of Porsche SE may be held in person or virtually without the physical presence of the shareholders or their proxies. This option, which already existed in 2023 due to a transitional provision, will be available in the future as a result of an authorization in the articles of association approved by the annual general meeting in 2023.

The annual general meeting decides on the appropriation of profits as well as the approval of the acts of the board of management and supervisory board and elects the members of the supervisory board and the auditor. The annual general meeting also decides in particular on the articles of association and the purpose of the company and on key corporate measures such as corporate contracts in particular.

Porsche Automobil Holding SE

List of all committees of the supervisory board of Porsche Automobil Holding SE and their members in the fiscal year 2023

Executive committee:

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

Nominations committee:

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

Audit committee:

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

Phoenix committee (until 25 September 2023):

- Dr. Ferdinand Oliver Porsche (chairman)
- Dr. Wolfgang Porsche
- Dr. Hans Michel Piëch
- Dr. Stefan Piëch
  (until 30 June 2023 – end of his term of office)
- Dr. Günther Horvath

More information on the above-mentioned and still serving committee members, in particular on their occupation as well as membership on supervisory boards and other control bodies, can be found at

https://www.porsche-se.com/en/company/supervisory-board

Porsche SE – Information on the financial statements in accordance with HGB

Results of operations

In the fiscal year 2023, Porsche SE generated a net profit of €1,441 million (€4,104 million), of which around €1,510 million (€4,256 million) related to the investment result. The investment result mainly comprises dividend income from the investment in Volkswagen AG amounting to €1,393 million (€4,253 million) and from the investment in Porsche AG amounting to €114 million (in the prior year no dividend income). This is in line with the dividend income of €1.5 billion forecast in the combined group management report for the fiscal year 2022 for Porsche SE in the fiscal year 2023. The investment result also contains income (net) from profit and loss transfer agreements of €3 million (€3 million).

Other operating income from the reporting period primarily includes income from a claim for compensation against Volkswagen AG. This resulted from a compensation mechanism in the contribution agreement, based on tax benefits and tax disadvantages, in connection with the contribution of the holding business operations of Porsche SE to Volkswagen AG in the fiscal year 2012 (see section “Results of operations of the Porsche SE Group”).

The decrease in other operating expenses from €27 million to €20 million is due in particular to the consulting fees incurred in the prior year in connection with the acquisition of ordinary shares of Porsche AG.

The development of the interest result is related in particular to the debt capital initially raised in the fourth quarter of the fiscal year 2022, its refinancing in the fiscal year 2023 and its interest rate hedging, which had an effect on the whole year for the first time in the fiscal year 2023.

Income tax shows a net income in the reporting period. This is largely due to the reversal of provisions for income taxes for prior years due to new findings from the ongoing tax field audits and to income tax receivables recognized due to a tax loss carryback to the prior year.

Income statement of Porsche Automobil Holding SE

€ million	**2023**	2022
Revenue	0	0
Other operating income	234	3
Personnel expenses	–19	–18
Other operating expenses	–20	–27
Result from investments	1,510	4,256
Interest result	–267	–99
Income tax	3	–11
Result after tax	**1,441**	**4,104**
Other tax	0	0
Net profit	**1,441**	**4,104**
Transfer to retained earnings	–658	–2,052
Net profit available for distribution	**783**	**2,052**

Net assets and financial position

Fixed assets of €33,488 million (€33,424 million) primarily contain the investment in Volkswagen AG of €22,912 million (€22,912 million) as well as the investment in Porsche AG of €10,106 million (€10,106 million). The increase is mainly due to capital increases in subsidiaries totaling €64 million.

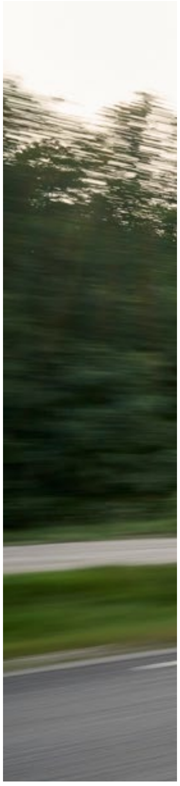
Receivables from affiliated companies contain receivables from domination and profit and loss transfer agreements. In the prior year, this also comprised a receivable of Porsche SE from Volkswagen AG of €22 million. This related to the net presentation of the special dividend claim of Porsche SE against 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, which was settled on 9 January 2023. Other assets of the prior year mainly included 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.

In March 2023, Porsche SE successfully placed a Schuldschein loan of around €2.7 billion. Porsche SE issued three bonds with a total volume of €2.0 billion in the reporting period as part of a new debt issuance program set up. In the prior year, liabilities to banks comprised total bank financing of €7.1 billion. Of this amount, €3.9 billion related to a bridge loan with a term of up to two years, €3.0 billion to a bank loan with a term of five years and €0.2 billion to a bank loan with a term of three years. In the fiscal year, the bridge loan was repaid in full using the Schuldschein loan, the first bond of €750 million and also using the dividend payment from Volkswagen AG. Part of the five-year bank loan was repaid from the total proceeds of €1,250 million raised from the issuance of the other two loans.

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



Balance sheet of Porsche Automobil Holding SE

€ million	**31/12/2023**	31/12/2022
Assets		
Fixed assets	33,488	33,424
Receivables from affiliated companies	6	30
Other assets	19	317
Marketable securities	283	70
Cash and cash equivalents	724	343
Prepaid expenses	9	0
	34,530	**34,185**
Equity and liabilities		
Equity	27,365	26,707
Provisions	94	112
Bonds	2,062	
Schuldschein loan	2,805	
Liabilities to banks	1,953	7,118
Liabilities	251	247
	34,530	**34,185**

Overall statement on the economic situation of Porsche SE

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. At the level of the two core investments – Volkswagen AG and Porsche AG – business was largely impacted in the fiscal year 2023 by a challenging global market environment, parts supply shortages and disruptions in the logistics chain. In addition, the industry is shaped by fierce competition, technological transformation and increasing ecological awareness.

Porsche SE's net profit for the year under German commercial law of €1.4 billion (€4.1 billion) is largely attributable to the dividend income from the investments in Volkswagen AG and Porsche AG. The decrease in net profit for the year is mainly due to the special dividend of Volkswagen AG recognized in the prior year. The dividend income recognized in the fiscal year corresponds to the dividend income forecast in the combined group management report for the fiscal year 2022 for Porsche SE in the fiscal year 2023. In the reporting period, Porsche SE also collected income from the refund claim against Volkswagen.

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”.

Dividend proposal

Porsche SE's dividend policy is generally geared to stability (see also section “Goals and strategy” under “Fundamental information about the group”).

The separate financial statements of Porsche SE as of 31 December 2023 report a net profit available for distribution of €783 million consisting of a net profit of €1,441 million and a transfer to retained earnings of €658 million. Porsche SE's board of management proposes a resolution for the distribution of a dividend of €2.554 (€2.554) per ordinary share and €2.560 (€2.560) per preference share, i.e., a total distribution of €783 million (€783 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” under “Forecast report and outlook”, 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 €9.00 per Volkswagen ordinary share and €9.06 per Volkswagen preference share as well as, based on the dividend proposed by the board of management and supervisory board of Porsche AG, €2.30 per Porsche AG ordinary share for the fiscal year 2023. As a result, dividend income of Volkswagen AG and Porsche AG totaling €1.7 billion is expected at the level of Porsche SE, which is likely to have a significant impact on the separate financial statements and net income for 2024. The board of management and supervisory board of Porsche SE also propose to the annual general meeting 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 for the fiscal year 2023.

Stuttgart, 13 March 2024
Porsche Automobil Holding SE

The board of management