PORSCHE SE

Annual Report 2021

Key figures

		2021 IFRS	2020 IFRS	2019 IFRS
Porsche SE Group				
Total assets	€ million	42,533	36,250	35,592
Equity	€ million	42,196	35,946	35,284
Investments accounted for at equity	€ million	41,527	35,259	34,597
Result from investments accounted for at equity	€ million	4,631	2,642	4,406
Result before tax[1]	€ million	4,565	2,654	4,416
Result after tax	€ million	4,566	2,624	4,408
Earnings per ordinary share[1,2]	€	14.90	8.59	14.39
Earnings per preference share[1,2]	€	14.90	8.59	14.39
Net liquidity	€ million	641	563	553
Employees on 31 December		882	916	951

		2021 HGB	2020 HGB	2019 HGB
Porsche SE				
Net profit	€ million	824	703	788
Net profit available for distribution	€ million	783	676	952
Dividend per ordinary share	€	2.554[3]	2.204	2.204
Dividend per preference share	€	2.560[3]	2.210	2.210

[1] In 2021 and 2020 from continuing operations
[2] Basic and diluted
[3] Proposal to the annual general meeting of Porsche SE

PORSCHE AUTOMOBIL HOLDING SE

Core Investment

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

VOLKSWAGEN
AKTIENGESELLSCHAFT

Further Investments

PTV GROUP
INRIX
Markforged
SEURAT
AEVA
AURORALABS
isar aerospace
proteanTecs


PORSCHE
Destination
Charging
S TA 5135E

2021

"We are convinced that Porsche SE will generate a significant increase in its enterprise value with its investments. We continue to count on the trust and support of our shareholders on this journey."

Hans Dieter Pötsch

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To our shareholders

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To our shareholders

Letter to our shareholders

Dear shareholders,

Porsche SE is looking back on a successful fiscal year 2021. Despite persistent negative effects from the Covid-19 pandemic, we generated a group result after tax of 4.6 billion euro. This marks a substantial increase in comparison to the prior-year result of 2.6 billion euro. The group result after tax is significantly influenced by the result from the investment in Volkswagen AG accounted for at equity of 4.6 billion euro, after 2.7 billion euro in the prior year. Net liquidity of the Porsche SE Group amounted to 641 million euro as of 31 December 2021, compared to 563 million euro end of 2020.

Our core investment, Volkswagen AG, has demonstrated remarkable robustness in the face of the Covid-19 pandemic. Although the global semiconductor shortage had an increasingly negative impact on business figures in the second half of 2021, Volkswagen advanced its transformation into a software-driven mobility provider.

The next stage of this transformation is to follow: By providing positive support for a possible IPO of Porsche AG, Porsche SE is supporting an expansion of the financial flexibility of Volkswagen AG and, at the same time, an increase in the entrepreneurial opportunities of Porsche AG. Porsche SE and Volkswagen AG have entered into a cornerstone agreement. In connection with a possible IPO, Porsche SE would acquire 25 percent plus one share of the ordinary shares of Porsche AG from Volkswagen AG. Volkswagen would use the proceeds from a possible IPO of Porsche AG to finance the industrial and technological transformation of the Volkswagen Group as well as for further growth.

In the course of the further development of PTV, we were able to win a strong partner in the private equity company Bridgepoint Advisers, which acquired a majority shareholding in PTV. Porsche SE retains a significant stake in the company. Together with Bridgepoint, we aim to continue to drive the growth of PTV. Porsche SE received a cash flow of around 240 million euro from this transaction, which will be used for further investments in the mobility and industrial technology sector as part of our investment strategy.

There were also additional positive developments. AEVA and Markforged completed successful IPOs. In July 2021, we made a new investment in Isar Aerospace, a start-up from Munich that develops and produces carrier rockets for transporting satellites. In September 2021, we also acquired a share in the Israeli company proteanTecs, whose technology enables function and performance monitoring of semiconductors and electronic systems.

Hans Dieter Pötsch
Chairman of the board
of management

In terms of legal proceedings, there was little movement in the fiscal year 2021. Amongst other things, due to the Covid-19 pandemic very few hearings took place in 2021. A positive step for us was a ruling by the Regional Court of Stuttgart in August 2021 dismissing an action in connection with the diesel issue of 124 million euro as inadmissible. The plaintiffs filed an appeal against the ruling to the Higher Regional Court of Stuttgart. However, the Higher Regional Court of Stuttgart considers the appeal to be unfounded for obvious reasons and has advised the plaintiffs to withdraw the appeal. Overall, we are convinced that the lawsuits brought against our company are without merit and in some cases also inadmissible.

Being admitted to the German share index DAX in September 2021 was an important step for Porsche SE. The decision to join the index naturally also caused higher demand for our company from index-oriented investors and funds. We are convinced that the DAX listing will further improve our market positioning as an investment holding company, which will in turn make us more attractive as an investor.

We can look at the fiscal year 2022 with optimism. We anticipate a group result after tax of between 4.1 and 6.1 billion euro. We also aim to achieve positive net liquidity as of 31 December 2022. This is expected to be between 0.6 and 1.1 billion euro, not taking future investments and divestitures into account.

As in prior years, the board of management would like you, our shareholders, to share in our company's success. For the fiscal year 2021, we propose a dividend of 2.560 euro per share to be distributed to the holders of preference shares and of 2.554 euro per share to the holders of ordinary shares. This corresponds to an increase in the payout to around 783 million euro, after 676 million euro in the prior year.

Looking forward, we are convinced that Porsche SE will generate a significant increase in its enterprise value with its investments. We continue to count on your trust and your support on this journey.

Hans Dieter Pötsch

Hans Dieter Pötsch

Company boards of Porsche Automobil Holding SE and their appointments

Members of the supervisory board

Dr. Wolfgang Porsche
Chairman

Chairman of the supervisory board of Dr. Ing. h.c. F. Porsche AG

Appointments:
- ● AUDI AG, Ingolstadt
- ● Dr. Ing. h.c. F. Porsche AG, Stuttgart (chairman)
- ● Volkswagen AG, Wolfsburg
- o Familie Porsche AG Beteiligungsgesellschaft, Salzburg (chairman)
- o Porsche Cars Great Britain Ltd., Reading
- o Porsche Cars North America Inc., Atlanta
- o Porsche Greater China, consisting of:
  Porsche (China) Motors Ltd., Shanghai
  Porsche Hong Kong Ltd., Hong Kong
- o Porsche Holding Gesellschaft m.b.H., Salzburg
- o Schmittenhöhebahn AG, Zell am See

Dr. Hans Michel Piëch
Deputy chairman

Member of the supervisory board of Volkswagen AG

Appointments:
- ● AUDI AG, Ingolstadt
- ● Dr. Ing. h.c. F. Porsche AG, Stuttgart
- ● Volkswagen AG, Wolfsburg
- o Porsche Cars Great Britain Ltd., Reading
- o Porsche Cars North America Inc., Atlanta
- o Porsche Greater China, consisting of:
  Porsche (China) Motors Ltd., Shanghai
  Porsche Hong Kong Ltd., Hong Kong
- o Porsche Holding Gesellschaft m.b.H., Salzburg
- o Schmittenhöhebahn AG, Zell am See
- o Volksoper Wien GmbH, Vienna

● Membership in German statutory supervisory boards
o Comparable appointments in Germany and abroad

Appointments as of 31 December 2021

Prof. Dr. Ulrich Lehner
Chairman of the supervisory board
of Deutsche Telekom AG

Appointments:
- ● Deutsche Telekom AG, Bonn (chairman)
- o Henkel AG & Co. KGaA, Düsseldorf (until 16 April 2021)

Mag. Josef Michael Ahorner
Member of the supervisory board of AUDI AG

Appointments:
- ● AUDI AG, Ingolstadt
- o Automobili Lamborghini S.p.A., Sant'Agata Bolognese

Dr. Ferdinand Oliver Porsche
Member of the board of management of
Familie Porsche AG Beteiligungsgesellschaft

Appointments:
- ● AUDI AG, Ingolstadt
- ● Dr. Ing. h.c. F. Porsche AG, Stuttgart
- ● Volkswagen AG, Wolfsburg
- o Porsche Holding Gesellschaft m.b.H., Salzburg
- o Porsche Lifestyle GmbH & Co. KG, Ludwigsburg

Mag. Marianne Heiß
Chief Executive Officer
of BBDO Group Germany GmbH

Appointments:
- ● AUDI AG, Ingolstadt
- ● Volkswagen AG, Wolfsburg

Dr. Günther Horvath
Managing director of
Dr. Günther J. Horvath Rechtsanwalt GmbH
and self-employed attorney

● Membership in German statutory supervisory boards
o Comparable appointments in Germany and abroad

Appointments as of 31 December 2021

Dr. Stefan Piëch
Member of the board of management
of Your Family Entertainment AG

Appointments:
- o SEAT S.A., Barcelona
- o Siemens Aktiengesellschaft Austria, Vienna

Peter Daniell Porsche
Member of the supervisory board of
Porsche Automobil Holding SE as well as member of additional control bodies of domestic and foreign commercial enterprises

Appointments:
- o Porsche Holding Gesellschaft m.b.H., Salzburg
- o Porsche Lifestyle GmbH & Co. KG, Ludwigsburg
- o ŠKODA AUTO a.s., Mladá Boleslav

Prof. TU Graz e.h. KR Ing. Siegfried Wolf
Member of the supervisory board of Schaeffler AG as well as member of additional control bodies of domestic and foreign commercial enterprises

Appointments:
- ● Continental AG, Hanover
- ● CMBlu Energy AG, Alzenau (until 14 December 2021)
- ● Schaeffler AG, Herzogenaurach
- ● Vitesco Technologies Group AG, Regensburg (chairman) (since 4 October 2021)
- o MIBA AG, Mitterbauer Beteiligungs AG, Laakirchen (in accordance with Sec. 28a (5) No. 5 Austrian Banking Act a position on the supervisory board)
- o OJSC GAZ Group, Nizhny Novgorod
- o Sberbank Europe AG, Vienna (chairman)
- o Steyr Automotive GmbH, Steyr (chairman) (since 19 October 2021)

● Membership in German statutory supervisory boards
o Comparable appointments in Germany and abroad

Appointments as of 31 December 2021

Current committees of the supervisory board of Porsche Automobil Holding SE and their members

Executive 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

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

Members of the board of management

Hans Dieter Pötsch
Chairman of the board of management
of Porsche Automobil Holding SE

Chairman of the supervisory board
of Volkswagen AG

Appointments:
- ● AUDI AG, Ingolstadt
- ● Autostadt GmbH, Wolfsburg
- ● Bertelsmann Management SE, Gütersloh
- ● Bertelsmann SE & Co. KGaA, Gütersloh
- ● Dr. Ing. h.c. F. Porsche AG, Stuttgart
- ● TRATON SE, Munich (chairman)
- ● Volkswagen AG, Wolfsburg (chairman)
- ● Wolfsburg AG, Wolfsburg
- o Porsche Austria Gesellschaft m.b.H., Salzburg (chairman)
- o Porsche Holding Gesellschaft m.b.H., Salzburg (chairman)
- o Porsche Retail GmbH, Salzburg (chairman)
- o VfL Wolfsburg-Fußball GmbH, Wolfsburg (deputy chairman)

Dr. Manfred Döss
Member of the board of management
responsible for legal affairs and compliance
of Porsche Automobil Holding SE

Member of the board of management responsible
for integrity and legal affairs of Volkswagen AG

Appointments:
- ● PTV Planung Transport Verkehr GmbH, Karlsruhe (PTV Planung Transport Verkehr AG until 20 February 2022)
- ● TRATON SE, Munich

● Membership in German statutory supervisory boards
o Comparable appointments in Germany and abroad

Appointments as of 31 December 2021

Dr. Johannes Lattwein (since 1 February 2022)
Member of the board of management
responsible for finance and IT
of Porsche Automobil Holding SE

General representative as well as
head of finance and investment management
of Porsche Automobil Holding SE
(until 31 January 2022)

CEO of Porsche Financial Services GmbH
(until 31 January 2022)

Appointments:
● PTV Planung Transport Verkehr GmbH, Karlsruhe (PTV Planung Transport Verkehr AG until 20 February 2022)

Lutz Meschke
Member of the board of management
responsible for investment management
of Porsche Automobil Holding SE

Deputy chairman of the board of management
and member of the board of management
responsible for finance and IT
of Dr. Ing. h.c. F. Porsche AG

Appointments:
● Porsche Leipzig GmbH, Leipzig
● PTV Planung Transport Verkehr GmbH, Karlsruhe (PTV Planung Transport Verkehr AG until 20 February 2022) (chairman)
● Volkswagen Bank GmbH, Braunschweig
o Bentley Motors Limited, Crewe (until 28 February 2021)
o Bugatti Rimac d.o.o., Sveta Nedelja (since 22 November 2021)
o MHP Management und IT-Beratung GmbH, Ludwigsburg (chairman)
o Porsche Consulting GmbH, Bietigheim-Bissingen
o Porsche Deutschland GmbH, Bietigheim-Bissingen
o Porsche Digital GmbH, Ludwigsburg (chairman)
o Porsche Engineering Group GmbH, Weissach
o Porsche Engineering Services GmbH, Bietigheim-Bissingen
o Porsche Enterprises Inc., Wilmington, Delaware
o Porsche Financial Services GmbH, Bietigheim-Bissingen (chairman)
o Porsche Lifestyle GmbH & Co. KG, Ludwigsburg (chairman)
o Porsche Werkzeugbau GmbH, Schwarzenberg

● Membership in German statutory supervisory boards
o Comparable appointments in Germany and abroad

Appointments as of 31 December 2021

Board of management

Hans Dieter Pötsch
Chairman of the board
of management

Dr. Manfred Döss
Legal affairs
and compliance

Dr. Johannes Lattwein
Finance and IT

Lutz Meschke
Investment management

Report of the supervisory board

Ladies and gentlemen,

Porsche Automobil Holding SE, Stuttgart (“Porsche SE”), is a holding company with investments in the mobility and industrial technology sector, whose preference shares have been listed on the German stock exchange index (DAX) since September 2021. The investment strategy of Porsche SE aims to create sustainable value for its shareholders. This is based on the increase in value of assets under management as well as dividend distributions. The investments of Porsche SE fall into the categories core investment and portfolio investments.

As a core investment, at 53.3%, Porsche SE holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft, Wolfsburg (“Volkswagen AG” or “Volkswagen”), and sees itself as a long-term oriented anchor investor.

In the past fiscal year, Volkswagen accelerated its transformation into a software-driven mobility provider. In the coming years, the transition to e-mobility and autonomous driving will be the key strategic topics for Volkswagen. Porsche SE supports the strategy of the Volkswagen Group. We are convinced that the Volkswagen Group will play a leading role in the transformation of the automotive industry and that it has vast potential for value creation.

In the portfolio investments category, Porsche SE holds non-controlling interests in technology companies in the USA, Israel and Germany. The investments in the portfolio investments category 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.

In the fiscal year 2021, Porsche SE entered into a partnership with the private equity company Bridgepoint Advisers Limited (“Bridgepoint”), London, UK, to advance the development of its subsidiary PTV Planung Transport Verkehr GmbH (formerly PTV Planung Transport Verkehr AG) (“PTV”), Karlsruhe. In this context, Bridgepoint acquired 60% of the shares in PTV, while Porsche SE retains a significant stake of 40% in the company. In Bridgepoint, Porsche SE has gained a strong partner that is using its wealth of experience to systematically drive growth at PTV.

Dr. Wolfgang Porsche
Chairman of the supervisory board

In July 2021, Porsche SE acquired a low single-digit percentage stake in Isar Aerospace Technologies GmbH (“Isar Aerospace”), Ottobrunn, Munich. The company develops carrier rockets that offer a cost-effective and flexible way of transporting satellites, enabled in particular by the high degree of automation in production. Thanks to the latest developments in the area of satellite technology and the resulting business models, we expect demand for rocket launches to transport small satellites to grow significantly in the next few years.

In September 2021, Porsche SE also invested in proteanTecs Ltd. (“proteanTecs”), Haifa, Israel. The technology of the company founded in 2017 allows function and performance monitoring of semi-conductors and electronic systems over the entire life cycle from design through to operation. In light of the ever-increasing requirements for new semiconductor generations and the benefits of proteanTecs’ technology with regard to quality and reliability of semiconductors, we see enormous market potential here.

In addition to the above mentioned investments in PTV, Isar Aerospace and proteanTecs, Porsche SE holds non-controlling interests in five other technology companies via its investment companies.

After the end of the fiscal year 2021, on 24 February 2022, Porsche SE entered into an agreement with Volkswagen AG on the cornerstones of support for a potential initial public offering (IPO) of Dr. Ing. h.c. F. Porsche AG. In connection with the potential IPO, Porsche SE would acquire 25 percent plus one share of Dr. Ing. h.c. F. Porsche AG's ordinary shares, subject to the relevant board resolutions. This investment would be a further core investment of Porsche SE in addition to the investment in Volkswagen AG.

Tasks of the supervisory board

Pursuant to the articles of association, the supervisory board has ten members (shareholder representatives) to be appointed by the annual general meeting. The composition of the supervisory board can be found in the section “Company boards of Porsche Automobil Holding SE and their appointments” of the annual report of Porsche SE.

In the fiscal year 2021, the supervisory board of Porsche SE performed all the tasks assigned to it by law, the articles of association and rules of procedure. During the fiscal year 2021, the supervisory board held four ordinary meetings and one extraordinary meeting. The ordinary meetings took place in March, June, October and December, the extraordinary meeting was held in July. The purpose of the extraordinary meeting of the supervisory board was, in particular, to discuss the voting behavior of Porsche SE at the annual general meeting of Volkswagen AG held in July 2021. Members participated in the meetings either in person or, in line with the company's articles of association, by video or conference call.

Individual resolutions of the supervisory board were passed by way of circular resolutions. These included in particular resolutions on determining the variable remuneration for the fiscal year 2020 of the board of management members Dr. Manfred Döss and Mr. Lutz Meschke in February 2021 as well as resolutions in connection with the sale of the majority shareholding in PTV in October 2021.

Within the framework of its control and advisory responsibilities, the supervisory board was informed in depth about company's performance during the fiscal year 2021 by means of written reports from the board of management as well as verbally in meetings, and was also involved in all fundamental decisions. Reporting focused on Porsche SE's economic situation and its investments (in particular Volkswagen AG), business results, the development of net assets, financial position and results of operations and the risk situation. The supervisory board also monitored the effectiveness of corporate governance. Furthermore, the supervisory board reviewed the annual and consolidated financial statements issued with unqualified auditor's reports as well as the combined management report, ratified the 2020 annual financial statements of Porsche SE and approved the 2020 consolidated financial statements of Porsche SE. The supervisory board also reviewed the non-financial group report and the dependent company report; here too, no objections were raised.

In the fiscal year 2021, the supervisory board dealt in particular with the impact of the Covid-19 pandemic and the semiconductor shortage on the business operations of Porsche SE and its investments, and regularly had the board of management inform it about any developments. In addition to the core investment in Volkswagen AG, the supervisory board dealt in particular with the acquisition of the new portfolio investments in Isar Aerospace and proteanTecs as well as the sale of the majority shareholding in PTV.

Another focus of the supervisory board's monitoring activities was on obtaining regular reports on the development and status of the various legal disputes (especially the claims for damages, the regulatory fining proceedings against Porsche SE initiated in connection with the discontinued investigation proceedings against (former) board members as well as the status proceedings under German stock corporation law. Central topics were also the actions for damages concerning the stake building of the investment in Volkswagen AG in 2008 as well as those in connection with the diesel issue. Furthermore, the supervisory board took the conclusion of the comprehensive settlements with current and former board members at Volkswagen AG, AUDI AG and Dr. Ing. h.c. F. Porsche AG in connection with the diesel issue as an opportunity to re-examine the question as to whether the company could have any claims against current or former board of management members in connection with the diesel issue. After careful consideration, the supervisory board came to the conclusion that there is no indication of any breaches of duty and therefore no measures should be taken against these board of management members in connection with securing and asserting claims for damages. The supervisory board also decided that the examination of the existence of any claims for damages had thus been brought to a conclusion. A re-examination will only be launched if any new indications of the existence of claims for damages would become known.

The supervisory board also discussed the business plan. Furthermore, the supervisory board ensured that the board of management carried out its business in compliance with the regulations. Monitoring also encompassed appropriate measures for risk provisioning and compliance. It checked that the board of management carried out the measures for which it is responsible in accordance with Sec. 91 (2) and (3) German Stock Corporation Act (AktG) in an appropriate form, in particular whether the board of management has set up a monitoring system for identifying at an early stage any developments jeopardizing the ability of the company to continue as a going concern, and whether the board of management has set up internal control and risk management systems that are appropriate and effective with regard to the scope of the business activities and risk situation of the company.

In this context, the supervisory board dealt extensively with the new statutory requirements in particular as a result of the Financial Market Integrity Strengthening Act (FISG) and the associated impact on the requirements for the composition of the supervisory board and audit committee as well as with the requirements for the governance systems that go hand in hand with the obligation codified in law to set up appropriate and effective internal control and risk management systems. To align with these new statutory requirements, the supervisory board amended the rules of procedure and the profile of requirements for the supervisory board as of 1 October 2021.

In performing its duties, the supervisory board took into account ESG aspects (Environmental, Social and Governance). In line with the provisions of the remuneration system for the board of management, the supervisory board included in its target agreements for variable board of management remuneration for the fiscal years 2021 and 2022, among other things, the promotion of ESG aspects (e.g., employee interests and compliance) as general performance targets, supplemented by individual ESG targets (e.g., employee retention in the respective management portfolio).

As certain matters are subject to the approval of the supervisory board, it also discussed in particular the voting behavior of Porsche SE at the annual general meeting of Volkswagen AG and the sale of the majority shareholding in PTV.

Disclosure of attendance at meetings of the entire supervisory board in the fiscal year 2021:

2021	Meeting attendance	Attendance (%)
Full supervisory board		
Dr. Wolfgang Porsche (chairman)	5/5	100
Dr. Hans Michel Piëch (deputy chairman)	5/5	100
Mag. Josef Michael Ahorner	4/5	80
Mag. Marianne Heiß	5/5	100
Dr. Günther Horvath	5/5	100
Prof. Dr. Ulrich Lehner	3/5	60
Dr. Stefan Piëch	5/5	100
Dr. Ferdinand Oliver Porsche	4/5	80
Peter Daniell Porsche	5/5	100
Prof. KR Ing. Siegfried Wolf	3/5	60

Committees

As before, the supervisory board has a total of three committees to carry out its duties: the executive committee, audit committee and nominations committee. The committees support the supervisory board and prepare supervisory board resolutions as well as topics for discussion by the entire supervisory board. Moreover, decision-making authority of the supervisory board may be transferred to the individual committees to the extent permitted by law.

The executive committee decides in urgent cases on business matters requiring the approval of the supervisory board. It 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.

In the fiscal year 2021, the executive committee dealt, among other things, with the reappointment of the chairman of the board of management Mr. Hans Dieter Pötsch effective 1 January 2022 for a further five years as well as with succession planning on the board of management. At the recommendation of the executive committee, Dr. Johannes Lattwein was also appointed by the supervisory board in January 2022 as a new member of the board of management effective 1 February 2022.

In addition, the executive committee draws up a proposal for the individual amount of the variable remuneration for each completed fiscal year, taking into account the respective business and earnings situation and based on the specific performance of the individual member of the board of management, if agreed as such with Porsche SE. This proposal is submitted to the supervisory board of Porsche SE for decision. Furthermore, the executive committee is responsible for the approval of ancillary activities of members of the board of management and prepares resolutions of the supervisory board on the remuneration system for the board of management as well as its regular review.

The audit committee supports the supervisory board in monitoring management of the company and pays particular attention to reviewing financial reporting, monitoring the financial reporting process, the effectiveness of the internal control system, the risk management system and internal audit, the statutory audit, in particular the selection and independence of the auditor, the quality of the audit and the services rendered by the auditor as well as compliance. In the past fiscal year, the audit committee regularly reviewed whether the risk early warning system in place is suitable for identifying at an early stage any developments jeopardizing the ability of the company to continue as a going concern. It satisfied itself as to the efficiency of the risk management system, including the internal control system, as well as the activities of internal audit and obtained regular reports on these. The audit committee was informed about changes in legal requirements and auditing standards. The audit committee passed its findings on to the entire supervisory board in regular reports.

The audit committee's review of accounting relates in particular to the consolidated financial statements and the combined management report and the annual financial statements prepared in accordance with German Commercial Code (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, in the case of the half-yearly financial report, also with the independent auditor. The audit committee also focuses on the non-financial group report, the dependent company report and the proposal for profit appropriation 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, comprises at least two candidates and is explained. 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 indications of grounds for exclusion or disqualification or that endanger the independence of the auditor. The audit committee is authorized on behalf of the supervisory board to award the audit engagement to the auditor selected by the annual general meeting, to agree on the fee with the auditor and to determine the key topics of the audit. It also examines the key audit matters and regularly assesses the quality of the audit.

The nominations committee makes recommendations for the supervisory board's proposals to the annual general meeting concerning the election of supervisory board members.

The composition of the individual committees of the supervisory board is described in more detail in the corporate governance declaration of compliance, published on the company's website.

The executive committee and the audit committee each met four times in the fiscal year 2021. The nominations committee did not meet in the fiscal year 2021. The chairman of the supervisory board Dr. Wolfgang Porsche attended the meetings of the audit committee as a guest. The members of the respective committees attended all meetings held in the fiscal year 2021, with the exception of

Dr. Ferdinand Oliver Porsche, who attended all but one of the executive committee’s meetings. The entire supervisory board was always informed about the work of the committees.

Disclosure of attendance at meetings of the committees in the fiscal year 2021:

2021	Meeting attendance	Attendance (%)
Executive committee		
Dr. Wolfgang Porsche (chairman)	4/4	100
Dr. Hans Michel Piëch	4/4	100
Dr. Ferdinand Oliver Porsche	3/4	75
Audit committee		
Prof. Dr. Ulrich Lehner (chairman)	4/4	100
Dr. Hans Michel Piëch	4/4	100
Dr. Ferdinand Oliver Porsche	4/4	100
Nominations committee		
The nominations committee did not meet in the fiscal year 2021.		

Cooperation with the board of management

The chairman of the supervisory board and the chairman of the audit committee were in regular contact with the board of management to exchange ideas and information, thus ensuring that they were kept directly informed about significant events and developments of the company and the group.

The supervisory board gave its approval as required for individual transactions, such as in particular the voting behavior of Porsche SE at the annual general meeting of Volkswagen AG as well as the sale of the majority shareholding in PTV.

Corporate governance

The supervisory board and board of management have repeatedly and intensively discussed the recommendations and suggestions of the German Corporate Governance Code, submitted the annual declaration on conformity in accordance with Sec. 161 AktG in December 2021 on the recommendations of the German Corporate Governance Code and made it permanently accessible to shareholders on the company’s website at www.porsche-se.com/en/company/corporate-governance/. Furthermore, in June 2021 the board of management and supervisory board published an update to the declaration on conformity submitted in December 2020. The current declaration on conformity is reproduced in full in the declaration of compliance, published on the company’s website.

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

To the extent that concrete conflicts of interest existed or were feared, the particular conflict of interest was reported to the supervisory board. In the past fiscal year, this related to the resolutions of the company at the annual general meeting of Volkswagen AG regarding the individual approval of the acts of members of the supervisory board for the fiscal year 2020 as well as on the settlement agreements of Volkswagen AG with former board of management members and D&O insurance companies of Volkswagen AG in connection with the diesel issue. If supervisory board members are also on the supervisory board of Volkswagen AG, they abstained from voting in the resolutions on voting behavior in the annual general meeting of Volkswagen AG regarding their own exoneration as well as on the settlement agreements of Volkswagen AG in connection with the diesel issue.

Comments on the result of the audit of the financial statements and on the proposal for the appropriation of profit

The annual general meeting on 23 July 2021 appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Stuttgart office, to audit the annual financial statements and consolidated financial statements for the fiscal year 2021. Prior to the supervisory board issuing its recommendation for appointment to the annual general meeting, the auditor submitted a declaration of independence to the supervisory board, which was reviewed by the audit committee.

Alongside the key audit matters identified by the auditor in the auditor’s report, the audit committee set the key topics as “Presentation of legal risks in the combined management report” and “Presentation of the effects of the diesel issue in the combined management report”.

The auditor issued an unqualified auditor’s report for both the annual financial statements and the consolidated financial statements (each supplemented by the combined management report) of Porsche SE for the fiscal year 2021. In the course of preparing for and performing the audit, the chairman of the audit committee exchanged information with the auditor on the audit strategy, on key audit matters, on the status of the audit, the provisional audit results and on the quality of the audit. The auditors also attended both the audit committee meeting and the supervisory board meeting at which the annual and consolidated financial statements and the combined management report for the fiscal year 2021 were discussed. In preparation, the members of the audit committee and supervisory board were provided with extensive documents and the audit reports of the auditor. The audit committee examined and discussed all reports made available to it and inquired about them in a critical manner. These were also discussed in great detail in the presence of the auditor. The auditors reported on the results of their audits, also referring to the key audit matters, the respective procedures during the audit, including the conclusions, the additional key topics set by the audit committee and were available to answer any additional questions or provide information. Furthermore, the auditor confirmed that the risk early warning system implemented by the board of management is suitable for identifying at an early stage any risks jeopardizing the ability of the company to continue as a going concern, and that no weaknesses were found in the internal control system and risk management system with regard to the accounting process. After its own audit, the audit committee concurred with the result of the audits by the auditor.

The chairman of the audit committee and the auditor reported on the results of their audits to the supervisory board and were available to answer any additional questions or provide information. After its own audit, the supervisory board concurred with the result of the auditor's and audit committee's audits. It determined that it had no objections to raise, approved the consolidated and annual financial statements as well as the combined management report prepared by the board of management for the fiscal year 2021 and thus ratified the financial statements for the fiscal year 2021 of Porsche SE.

Based on this, the supervisory board endorsed the suggestion of the board of management for the appropriation of profit available for distribution.

Remuneration report

The supervisory board and the board of management prepared the first mandatory remuneration report pursuant to Sec. 162 AktG for the fiscal year 2021 and made it available at www.porsche-se.com/en/company/corporate-governance/. The remuneration report is also included in the annual report. Exceeding the legal requirements, the remuneration report was subject to a voluntary audit of its content by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Stuttgart branch, who issued an unqualified audit opinion thereon.

Audit of the dependent company report

Pursuant to Art. 9 (1) lit. c (ii) SE Regulation (SE-VO) and Sec. 312 AktG, the board of management prepared a report on related companies ("dependent company report") for the fiscal year 2021. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Stuttgart office, audited the dependent company report and rendered the following opinion:

"Based on our audit and assessment in accordance with professional standards we confirm that

(1) the factual disclosures contained in the report are correct,

(2) the payments made by the company in connection with transactions detailed in the report were not unreasonably high."

The supervisory board concurred with the result of the audit by the auditor of the dependent company report. According to the concluding results of its own review, the supervisory board had no objections to raise with respect to the closing declaration of the board of management in the dependent company report.

Audit of the non-financial group report

The supervisory board thoroughly examined the non-financial group report. It had no objections to raise.

Composition of the board of management and supervisory board

In December 2021, the supervisory board extended the appointment of chairman of the board of management and CFO Mr. Hans Dieter Pötsch by five years effective 1 January 2022. There was a personnel change within the board of management with the appointment of Dr. Johannes Lattwein as member of the board of management responsible for finance and IT in January 2022 effective 1 February 2022. Since then, Mr. Hans Dieter Pötsch has served exclusively as chairman of the board of management.

There were no changes in personnel on the supervisory board of Porsche SE in the fiscal year 2021.

Acknowledgment

The supervisory board expresses its gratitude to the board of management and all employees in acknowledgment of the work they have done and their unflagging commitment.

Stuttgart, 18 March 2022

The supervisory board
Dr. Wolfgang Porsche
Chairman

Remuneration report

I. Introduction

The remuneration report prepared by the board of management and supervisory board of Porsche Automobil Holding SE ("Porsche SE" or the "company") describes the main features of the remuneration systems applicable in the fiscal year 2021 for members of the board of management and supervisory board of Porsche SE holding office in the fiscal year 2021, and explains in detail the individual remuneration awarded and due to every single current or former member of the board of management and supervisory board in the reporting year. Awarded and due remuneration relates to the amounts that the individual member of the board of management or supervisory board actually received or amounts due that have not yet been paid out in the reporting period. Additionally the remuneration earned by the members of the board of management in the fiscal year 2021 that was neither received by the members nor fell due in the reporting period is included. In addition, the report contains disclosures on benefits promised to members of the board of management in the event of regular or early termination of their service.

The disclosures comprise the remuneration awarded and due to the members of the board of management and supervisory board for their board activities at Porsche SE in accordance with its remuneration system. This includes activities at Porsche Beteiligung GmbH, Porsche Zweite Beteiligung GmbH, Porsche Dritte Beteiligung GmbH, Porsche Vierte Beteiligung GmbH as well as at PTV Planung Transport Verkehr GmbH (formerly PTV Planung Transport Verkehr AG). It does not include activities of Porsche's SE board members within the Volkswagen Group. The remuneration that board members of Porsche SE receive from the Volkswagen Group for activities within the Volkswagen Group is therefore not included in the disclosures below.

The remuneration report complies with the requirements of the AktG ["Aktiengesetz": German Stock Corporation Act] as well as the German Corporate Governance Code ("GCGC"). The presentation currency is the euro. Unless otherwise stated, all figures are presented in thousands of euro (€ thousand). All figures and percentages are rounded according to customary business practice, so minor discrepancies may arise from the addition of these amounts. The comparative prior-year figures are presented in parentheses alongside the figures for the current reporting period and were determined using the same methods as for the current reporting year figures.

This remuneration report is subject to a voluntary audit of its content pursuant to IDW Assurance Standard: Examination of Financial Statements or their Components (IDW AsS 490) by Pricewater-houseCoopers GmbH Wirtschaftsprüfungs-gesellschaft, Frankfurt am Main, Stuttgart branch.

II. Significant events and developments in the fiscal year 2021

1. Approval of the remuneration system by the annual general meeting

In connection with the ARUG II [“Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie”: German Act Implementing the Second Shareholder Rights Directive] that came into force on 1 January 2020 and the revised version of the GCGC adopted on 16 December 2019 effective 20 March 2020, the supervisory board passed a resolution at its meeting on 3 December 2020 to introduce a new remuneration system for the board of management (“board of management remuneration system 2021”). The amendments to the remuneration system largely relate to the methods used to measure the variable bonus (see section “III. 2. Variable remuneration (remuneration system 2021)”) as well as incorporating a malus/clawback provision, maximum remuneration and a severance cap in the remuneration system (see “III. 6. Compliance with remuneration ceiling” as well as section “III. 3. Benefits and benefit commitments in connection with the termination of board of management activity”). The board of management remuneration system was approved by the shareholders of Porsche SE at the annual general meeting on 23 July 2021. Furthermore, the revised supervisory board remuneration system was presented to the 2021 annual general meeting for resolution, which the shareholders of Porsche SE confirmed.

2. Business development and development of key performance indicators in the fiscal year 2021

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 result and liquidity are the core management indicators in the Porsche SE Group.

The IFRS group result after tax is used as the financial indicator for the result of the Porsche SE Group. For liquidity, net liquidity is monitored and managed accordingly. By definition, net liquidity is calculated as cash and cash equivalents, time deposits and securities less financial liabilities.

The group result after tax of Porsche SE for the fiscal year 2021 came to €4,566 million (€2,624 million). The result after tax was significantly influenced by the investment accounted for at equity in Volkswagen of €4,628 million (€2,651 million). The increase in the result accounted for at equity is attributable to the positive development in the result at the level of the Volkswagen Group, after the prior year had been negatively affected by the Covid-19 pandemic.

Net liquidity of the Porsche SE Group increased to €641 million (€563 million) compared to 31 December 2020.

3. Change in the composition of the board of management and the supervisory board

In the fiscal year 2021, there were no changes in the composition of the board of management and the supervisory board.

The supervisory board extended the appointment of chairman of the board of management Mr. Hans Dieter Pötsch by five years effective 1 January 2022. Furthermore, the supervisory board appointed Dr. Johannes Lattwein as member of the board of management responsible for finance and IT effective 1 February 2022, thereby enlarging Porsche SE's board of management to four members.

III. Remuneration of current or former members of the board of management

1. General principles of the remuneration system

Establishing and implementing the remuneration system

The remuneration system for the board of management is established by the supervisory board in accordance with Sec. 87a (1) AktG. The supervisory board is assisted in this by the executive committee, which prepares proposals and recommendations with respect to both the structure and the further development of the remuneration system for the board of management. External advisors may be consulted as needed. If the supervisory board retains remuneration consultants, it must make sure in particular that the consultants are independent.

With a view to avoiding potential conflicts of interest, the requirements of the AktG and of the GCGC apply to the establishment, implementation and review of the remuneration system. The members of the supervisory board and of all committees are required to notify the supervisory board of any conflicts of interest. In such cases, the individuals concerned must not be involved in decisions on the matters subject to conflicts of interest.

Guidelines of the board of management remuneration system 2021

The remuneration system for the members of the board of management is to further the strategic goal of Porsche SE through targeted individual incentives for the board of management members and by aligning the interests of both the board of management and shareholders. Furthermore, the remuneration system is to create incentives for implementing the corporate strategy in a sustainable way and thus contribute to positive corporate development. Accordingly, the remuneration system is to apply the following principles:

- Promoting Porsche SE as a profitable and competitive holding company
- Horizontal compatibility: appropriateness and market conformity of the remuneration of the board of management members in relation to comparable corporate groups and holding companies
- Vertical compatibility: taking into consideration the board of management members' remuneration in proportion to the remuneration of the first management level and to the relevant total workforce.

Application of the board of management remuneration system 2021

In accordance with German stock corporation law and the GCGC, the contracts concluded with board of management members as of the date the supervisory board passed the resolution on the remuneration system 2021 continue to apply without change until their renewal, if any. This means that the remuneration system 2021 did not yet apply for Mr. Pötsch in the reporting period. Due to Dr. Döss' service contract being extended, the remuneration system 2021 has been applied to his board of management service contract since 1 January 2021. The remuneration components awarded for fiscal years up to and including 2020 that were paid out to Dr. Döss in the fiscal year 2021 are therefore not yet based on the remuneration system 2021. The board of management service contract concluded with Mr. Meschke effective 1 July 2020 is in line with the remuneration system 2021.

The board of management remuneration system 2021 of Porsche SE is published at www.porsche-se.com/en/company/corporate-governance/.

Any previous remuneration principles differing from the remuneration system 2021 that are of relevance for this remuneration report are explained separately. Unless noted separately, the information relates to the remuneration system 2021.

Review of the appropriateness of the remuneration system

The remuneration system is reviewed on a regular basis by the supervisory board – based on the preparatory work and recommendations of the executive committee – with regard to necessary adjustments and its further development and, in the event of material changes, but no later than every four years, is again submitted to the annual general meeting for approval.

The appropriateness of the remuneration is assessed in particular in light of the tasks and performance of the individual board of management member and the situation of the company. Additionally, the supervisory board makes sure that the remuneration is aligned with the company’s long-term sustainable development and that customary remuneration is not exceeded unless there are special reasons. When determining what is customary, both the horizontal compatibility with peer group companies and the vertical compatibility with remuneration structures within Porsche SE are taken into account.

The peer group used to assess the market conformity of the remuneration is identified with reference to the following criteria: market capitalization, total assets, location of the registered office and comparability of the industry sector. For this purpose, on the one hand, DAX-listed peer group companies are used with respect to market capitalization (DAX peer group) and, on the other, selected investment holding companies based in Western Europe are used with respect to the industry sector of investment management (holding peer group).

The horizontal compatibility check was most recently performed using the following peer group companies:

Company	Peer group	Company	Peer group
Adidas AG	Dax	Eurazeo S.A.	Holding
Allianz SE	Dax	Fresenius Medical Care AG & Co KGaA	Dax
Aurelius SE & Co. KGaA	Holding	Fresenius SE & Co KGaA	Dax
BASF SE	Dax	HeidelbergCement AG	Dax
Bayer AG	Dax	Henkel AG & Co KGaA	Dax
Bayerische Motoren Werke AG	Dax	Indus Holding AG	Holding
Beiersdorf AG	Dax	Infineon Technologies AG	Dax
Continental AG	Dax	Linde PLC	Dax
Covestro AG	Dax	Merck KGaA	Dax
Daimler AG	Dax	MTU Aero Engines AG	Dax
Delivery Hero SE	Dax	Münchener Rückversicherungs-Gesellschaft AG	Dax
Deutsche Bank AG	Dax	Rocket Internet SE	Holding
Deutsche Beteiligungs AG	Holding	RWE AG	Dax
Deutsche Börse AG	Dax	SAP SE	Dax
Deutsche Post AG	Dax	Siemens AG	Dax
Deutsche Telekom AG	Dax	Volkswagen AG	Dax
Deutsche Wohnen SE	Dax	Vonovia SE	Dax
E.ON SE	Dax	Wendel SE	Holding

For the vertical comparison, the relation of the board of management remuneration to the remuneration of the first management level and also to the remuneration of the relevant total workforce is taken into account, in each case also considering the development of the remuneration over time. The relevant total workforce used for the purpose of the vertical comparison is the entire staff of Porsche SE below the board of management, i.e., including the first management level (but not including the employees of group companies) (the “total workforce”).

2. Components of board of management remuneration in the fiscal year 2021

Fixed remuneration

The fixed remuneration consists of the fixed salary, fringe benefits and, in principle, pension benefits. The rationale for fixed and thus non-performance-based remuneration is to provide the board of management members with an appropriate base income. In the supervisory board's view, such base income reduces the likelihood that board of management members will take risks that are inappropriate from the company's point of view.

Fixed salary

The fixed salary is cash-based remuneration set for the entire year that is paid out in twelve equal monthly installments. The amount of each board of management member's fixed salary varies depending on each member's area of responsibility, professional background and the general market conditions affecting the department represented by that member, and taking into account that member's overall time commitment also with respect to any sideline activities.

Fringe benefits

In addition, each board of management member receives benefits in kind and other earnings ("fringe benefits"). In particular, the following benefits are awarded as fringe benefits:

- In general, a company car, which may also be used for private purposes, is made available to each board of management member. Such a company car provision may be omitted, if the board of management member is already entitled to use a company vehicle based on a sideline activity for a third-party company.
- Each board of management member also has the possibility to use other company vehicles privately for a discounted usage charge according to the terms applicable to the first management level.
- Each board of management member is covered by the insurance taken out by Porsche SE, i.e., legal protection insurance (covering civil and criminal liability) and financial loss liability insurance for management board members (so-called "D&O insurance"), and also by the group occupational accident insurance taken out by Porsche SE unless the board of management member is already covered by occupational accident insurance through a sideline activity for a third-party company.
- Each board of management member receives an allowance for health and long-term care insurance up to the amount of the employer's share of the statutory health and long-term care insurance unless the board of management member already receives such an allowance under another service contract due to double employment.
- Each board of management member is entitled to continued payment of remuneration in the event of illness for no longer than 12 months. In the event of death, the surviving dependents are entitled to receive death grants equivalent to six monthly installments of the fixed salary.
- The board of management members receive certain perks and benefits to a limited extent, equal to what is also awarded to the first management level from time to time.

In general, all board of management members are equally entitled to the benefits in kind and the other earnings; whether or not individual benefits are awarded and in what specific amounts may vary depending on the board of management member's circumstances/departmental responsibility.

The current chairman of the board of management is additionally allowed to travel by charter flight to and from the registered office of Porsche SE at the expense of Porsche SE in order to perform his tasks. Furthermore, Porsche SE bears the accommodation and food costs of certain board of management members for staying at the location of the registered office of Porsche SE on the day before or after their business-related stay at Porsche SE's registered office.

Variable remuneration (remuneration system 2021)

Principles of variable remuneration

In addition, the board of management members receive variable, performance-based remuneration in the form of a performance bonus that depends on whether or not specific financial and non-financial performance targets are reached. The bonus consists of a short-term incentive (“STI”) and a long-term incentive (“LTI”). The parameters for both components are for the most part identical. However, the long-term incentive is tied to additional long-term performance criteria, the payment of which depends on whether or not these are fulfilled (“payout hurdle”). The aim of variable remuneration is to create incentives for implementing the corporate strategy in a sustainable way through targeted individual incentives for the board of management members and thus to promote Porsche SE as a profitable and competitive holding company.

The performance targets for the bonus are set in individual target agreements concluded with the individual board of management members. A target agreement is concluded between the board of management member and the supervisory board in each case before the relevant fiscal year starts; a target agreement stipulates several individual performance targets set by the supervisory board based on the business strategy, in addition to stipulating the relative weighting of the targets. The individual performance targets comprise primarily non-financial individual targets but may also be supplemented by financial performance targets related to that board of management member’s department and tasks.

Besides the performance targets stipulated in the target agreement on an annual basis, a discretionary modifier ranging from 0.8 to 1.2 is used to calculate the amount of the bonus. The modifier is set by the supervisory board at its reasonable discretion on the basis of an evaluation of the economic situation and development of the company and the general performance of the board of management member to the extent that these factors have not already been taken into account in the specific individual targets stipulated in the target agreement.

The basis for the calculation of the bonus is a target amount specified in the service contract, which is based on a target achievement of 100% (“bonus target amount”). The total payment amount for the bonus is limited to 150% of the bonus target amount (“bonus cap”).

A board of management member’s specific performance relating to the individual targets set in the target agreement and the corresponding degree of target achievement are assessed based on a scale in 25% increments with target achievement levels from 0% to 150% with the aim of achieving measurability of target achievement wherever possible. To the extent the measurability of the target achievement is not provided for, the supervisory board determines the level of target achievement at its due discretion.

In accordance with the relative weighting of the individual performance targets, an overall degree of target achievement is determined based on the individual levels of target achievement calculated, on the basis of which an intermediate amount is calculated using the bonus target amount. The intermediate amount calculated in this way is multiplied by the set modifier and the result is the total bonus amount, which is subject to the bonus cap:

> Overall degree of target achievement x bonus target amount (in EUR) x modifier = total bonus amount (but not exceeding the bonus cap)

If the overall degree of target achievement is less than 50%, no bonus will be paid for the relevant fiscal year (neither the STI nor LTI component).

In the event of extraordinary developments, the supervisory board may, at its reasonable discretion, increase or reduce the calculated total bonus amount by up to 20% by setting a special adjustment factor of 0.8 to 1.2; in that case, such an increase is not limited by the bonus cap.

Target achievement and the total bonus amount (taking into account the modifier and special adjustment factor) are determined within three months of the end of the bonus-relevant fiscal year ("set total bonus amount").

Mr. Pötsch's service contract applicable in the fiscal year 2021 did not provide for any variable remuneration component.

Short-term incentive

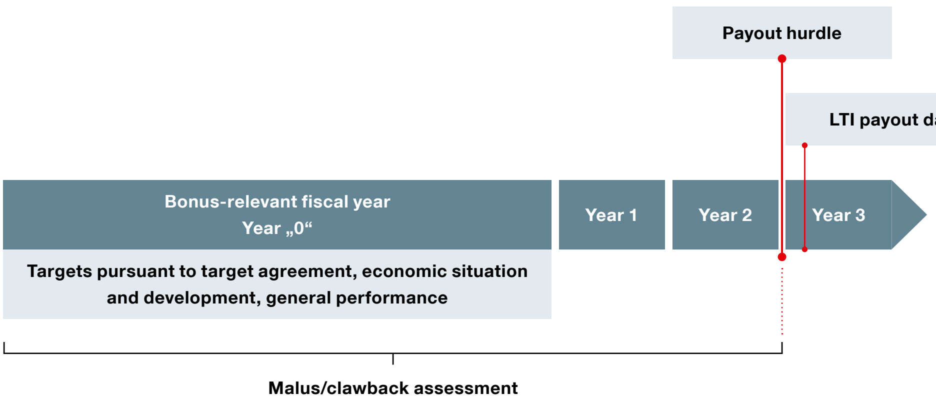
A share of 40% of the set total bonus amount constitutes the STI, which, subject to any applicable malus mechanisms (see section "III. 6. Compliance with remuneration ceiling"), is paid out three months after the end of the bonus-relevant fiscal year, but not before expiry of the third day following the day of the supervisory board meeting in which the consolidated financial statements of Porsche SE are approved.

Long-term incentive

A share of 60% of the set total bonus amount constitutes the LTI, which is retained for another two years after the end of the bonus-relevant fiscal year.

It will be paid out after the end of the two-year deferral period unless any malus mechanisms (see section "III. 6. Compliance with remuneration ceiling") during the three-year assessment period (i.e., including the two-year deferral period) result in a forfeiture or reduction and only if the payout hurdle is met.

The payout hurdle is met if, in the second fiscal year following the bonus-relevant fiscal year, a positive group result before tax or other group result before tax previously determined by the supervisory board is generated. If this payout hurdle is not reached, the entire LTI is forfeited. If the payout hurdle is met, the LTI (subject to any applicable malus mechanisms) will be due for payment two years after the corresponding STI falls due for payment, but not before the end of the third day following the day of the supervisory board meeting in which the consolidated financial statements of Porsche SE are approved that are decisive for determining whether or not the payout hurdle has been met.



Special bonus

At its due discretion, the supervisory board may, based on a special bonus target agreement, offer to individual board of management members a special bonus for the forthcoming fiscal year with respect to special issues that require particular achievements. The same applies to special issues arising due to extraordinary developments during an ongoing fiscal year.

Variable remuneration (previous remuneration principles relevant in the reporting year)

Dr. Döss also received variable remuneration in accordance with the previously applicable remuneration principles. The amount of variable remuneration was specified by the supervisory board at its discretion, taking into account the achievement of targets set in target agreements as well as the business and earnings situation of the company. 40% of the variable remuneration set by the supervisory board for each completed fiscal year is due for payment three months after the fiscal year relevant for the bonus ends (short-term variable remuneration). The remaining 60% is generally due for payment two years after the short-term variable remuneration falls due (long-term variable remuneration). Payment is largely dependent on the Porsche SE Group generating a positive group result before tax in the most recent fiscal year concluded before the long-term variable remuneration fell due. In contrast to the remuneration system 2021, the former remuneration agreement in place with Dr. Döss thus in particular did not include a definition of the determination of target achievement using a scale in 25% increments with target achievement levels from 0% to 150% as well as modifier.

3. Benefits and benefit commitments in connection with the termination of board of management activity

Benefits paid upon early contract termination

In the event of early termination of the service contract (and of the board of management activity), any payments due to the board of management member are limited to the value of twice the total annual remuneration (“severance cap”); the payments must not in any event exceed the remuneration due for the remaining term of the service contract. The total annual remuneration corresponds to the total remuneration for the purpose of making sure that the maximum remuneration has been complied with (see section “III. 6. Compliance with remuneration ceiling”). The severance cap is calculated on the basis of the total remuneration for the past full fiscal year and, if appropriate, also the expected total remuneration for the current fiscal year.

If the service contract is terminated for a cause for which the board of management member is responsible, no severance payment will be made to the board of management member. Any severance payment will be set off against any non-competition compensation that is payable in the event that a post-contractual prohibition of competition has been agreed.

Benefit commitments for board of management members in the event of regular termination of their service

The pension schemes applicable to the board of management members vary depending on the date the member joined the board of management.

Mr. Pötsch does not receive any company pension benefits from Porsche SE.

Dr. Döss is awarded a salary-based retirement pension commitment that gives rise to a retirement pension entitlement equivalent to 25% of an agreed pensionable income. This increases by one percentage point for each active year of service as member of the board of management up to a maximum of 40%. As of 31 December 2021, Dr. Döss has reached a retirement pension entitlement of 31%. Retirement pension eligibility arises through termination of the service contract when or after the board of management member has reached 65 years of age or before the member has reached the age of 65 and if during the term of the service contract permanent inability to work occurs. Upon termination of the service contract before reaching the age of 65 and in the absence of an inability to work, Dr. Döss keeps his expectancy rights to pension benefits to the extent prescribed by law. However, in such a case, the expectancy rights will become vested with immediate effect. The retirement pension is payable in twelve equal monthly installments. The surviving dependents' pension comprises a widows' pension of 60% of the retirement pension and orphans' benefits of 20% of the retirement pension for each child, reduced to 10% for each child if a widow's pension is paid. The total amount of the widows' pension and orphans' benefits must not exceed the amount of the retirement pension. Orphans' benefits are limited to a total of 80% of the retirement pension. Dr. Döss will continue to be entitled to a company car following the date of retirement.

Mr. Meschke receives a direct commitment in the form of an employer-financed defined contribution benefit commitment, which will also be awarded to new members joining the board of management in accordance with the remuneration system 2021. Mr. Meschke is entitled to an annual pension contribution of €60 thousand. The pension contribution is paid for each year the service contract exists, but for no longer than until the member reaches the age of 62. The pension capital accumulated at the end of the preceding year will bear interest on an annual basis. The pension commitment covers three pensionable events: old age (reaching the age of 62), reduction in earnings capacity (within the meaning of the German statutory pension insurance scheme, but with respect to the service as member of the board of management, which is expected to last for at least six months) and death. The entitlement to pension payments exists only for the pensionable event that occurs first and also requires that the service contract has ended and that the board of management member has ceased to work for the company. Expectancy rights accruing from the benefit commitment on the basis of reaching old age are, in principle, subject to the applicable statutory vesting regulations (Sec. 1b (1) BetrAVG ["Betriebsrentengesetz": German Company Pension Act]) and thus become vested after three years; in derogation therefrom, contractual vesting applies with immediate effect for occupational disability and death. When a pensionable event occurs, the board of management member or his/her surviving dependents, as the case may be, will receive the pension capital as a one-time payment.

The table below contains the current service cost pursuant to IFRS as well as the present value of the payment obligation pursuant to IFRS.

	Current service cost IFRS	Present value IFRS
€ thousand	**2021**	**31/12/2021**
Dr. Döss	580	4,423
Meschke	62	109
	642	**4,532**

4. Awarded and due remuneration of the board of management members active in the fiscal year 2021

The tables below break down the remuneration awarded or due to the board of management members active in the fiscal year 2021 pursuant to Sec. 162 AktG. Awarded and due remuneration relates to the amounts that fell due in the reporting period and that were received. The figures thus represent the actual amounts received by each board of management member in the reporting year, regardless of which fiscal year the remuneration was set for and therefore earned. The remuneration awarded and due in the fiscal year 2021 thus comprises the fixed remuneration as well as the fringe benefits for the fiscal year 2021, any short-term incentive ("STI") for the fiscal year 2020 as well as any long-term incentive ("LTI") for the fiscal year 2018. By contrast, the expense or contribution to the company pension scheme has not yet been received by the members of the board of management.

The total remuneration earned in the reporting period is additionally presented in section "III. 5. Board of management remuneration earned in the fiscal year 2021" and is used as a basis for ensuring compliance with the maximum remuneration.

Hans Dieter Pötsch

Chairman of the board of management (since 1 November 2015) and Chief Financial Officer (from 25 November 2009 to 31 January 2022)

	2021 € thousand	**2021**[1] %	2020 € thousand	2020[1] %
Fixed remuneration	500		500	
Fringe benefits	255		316	
Total fixed remuneration	**755**	**100.0%**	**816**	**100.0%**
Total remuneration acc. to Sec. 162 (1) AktG	**755**	**100.0%**	**816**	**100.0%**

[1] The relative shares stated here relate to total remuneration pursuant to Sec. 162 (1) AktG.

Dr. Manfred Döss

Board of management member responsible for legal affairs and compliance (since 1 January 2016)

	2021 € thousand	**2021**[1] %	2020 € thousand	2020[1] %
Fixed remuneration	600		562	
Fringe benefits	91		87	
Total fixed remuneration	**691**	**53.1%**	**649**	**71.4%**
Short-term incentive				
STI 2020	280	21.5%		
STI 2019			260	28.6%
Long-term incentive				
LTI 2018	330	25.4%		
Total variable remuneration	**610**	**46.9%**	**260**	**28.6%**
Total remuneration acc. to Sec. 162 (1) AktG	**1,301**	**100.0%**	**909**	**100.0%**

[1] The relative shares stated here relate to total remuneration pursuant to Sec. 162 (1) AktG.

The variable remuneration that Dr. Döss received in the fiscal year 2021 stems from the STI for the fiscal year 2020 as well as from the LTI for the fiscal year 2018. Both variable remuneration components were determined by the supervisory board in prior years based on previous remuneration principles (see section “III. 2. Variable remuneration (previous remuneration principles relevant in the reporting year)”).

In both 2018 and 2020, Dr. Döss’ individual performance targets comprised successful and efficient litigation, the further development of the company’s legal organization as well as employee development. The supervisory board discussed in detail the performance targets with regard to the fiscal years 2018 and 2020. A decision on their achievement was made at its due discretion on the basis of an assessment of Dr. Döss’ individual performance.

With regard to the LTI 2018, the supervisory board awarded the maximum bonus amount of €330 thousand. The payout hurdle of the LTI component 2018 was also met.

With regard to the STI 2020, the supervisory board awarded a bonus of €280 thousand (maximum bonus amount: €300 thousand).

Lutz Meschke

Board of management member responsible for investment management (since 1 July 2020)

	2021 € thousand	**2021**[1] %	2020 € thousand	2020[1] %
Fixed remuneration	540		270	
Fringe benefits			0	
Total fixed remuneration	**540**	**89.4%**	**270**	**100.0%**
Short-term incentive				
STI 2020	64	10.6%		
Total variable remuneration	**64**	**10.6%**		**0.0%**
Total remuneration acc. to Sec. 162 (1) AktG	**604**	**100.0%**	**270**	**100.0%**

1 The relative shares stated here relate to total remuneration pursuant to Sec. 162 (1) AktG.

The variable remuneration that Mr. Meschke received in the fiscal year 2021 stems from the STI for the fiscal year 2020. The bonus target amount for STI and LTI for Mr. Meschke comes to a total of €250 thousand for a full fiscal year. The variable remuneration was determined by the supervisory board on the basis of the remuneration system 2021. The supervisory board also discussed Mr. Meschke's performance targets in detail. A decision on their achievement was made on the basis of an assessment of Mr. Meschke's individual performance.

Mr. Meschke's individual performance targets comprised the revision of the current investment approach (weighting 30%, target achievement 125%), the restructuring of the investment management (weighting 30%, target achievement 100%), the identification of investment opportunities (weighting 10%, target achievement 150%) as well as the active value management of the investment portfolio (weighting 30%, target achievement 150%). The overall degree of target achievement for the fiscal year 2020 was therefore measured at 128%. The modifier for the fiscal year 2020 was 1.0 and was determined by the supervisory board at its reasonable discretion in light of the economic situation and development of the company on the basis of the group result after tax for the fiscal year 2020 compared to the planned group result after tax for the fiscal year 2020 as well as in light of the general individual performance in the fiscal year 2020. There were no extraordinary developments causing the variable remuneration to increase or decrease, meaning that the special adjustment factor was not applied. As Mr. Meschke took up his position as a member of the board of management as of 1 July 2020, the STI 2020 was determined pro rata temporis at €64 thousand.

5. Board of management remuneration earned in the fiscal year 2021

In addition to fixed remuneration, the tables below contain the one-year and multiple-year variable remuneration components, some conditional, earned by the active members of the board of management in the fiscal years 2021 and 2020 as well as the service cost from pension commitments in accordance with IFRS. Unlike the amounts in section “III. 4. Awarded and due remuneration of the board of management members active in the fiscal year 2021”, the variable remuneration components do not show the amounts received in the reporting period, but rather the set total bonus amounts for the reporting period. The total remuneration earned forms the basis for the review of compliance with the maximum remuneration (see section “III. 6. Compliance with remuneration ceiling”).

Hans Dieter Pötsch

Chairman of the board of management (since 1 November 2015) and Chief Financial Officer (from 25 November 2009 to 31 January 2022)

€ thousand	**2021** € thousand	**2021** %	2020 € thousand	2020 %
Fixed remuneration	500		500	
Fringe benefits	255		316	
Total fixed remuneration	**755**	**100.0%**	**816**	**100.0%**
Total earned remuneration for review of compliance with maximum remuneration	**755**	**100.0%**	**816**	**100.0%**

Dr. Manfred Döss

Board of management member responsible for legal affairs and compliance (since 1 January 2016)

€ thousand	2021 € thousand	2021 %	2020 € thousand	2020 %
Fixed remuneration	600		562	
Fringe benefits	91		87	
Total fixed remuneration	**691**	**34.0%**	**649**	**34.2%**
Short-term incentive				
STI 2021	304	15.0%		
STI 2020			280	14.8%
Long-term incentive				
LTI 2021	455	22.4%		
LTI 2020			420	22.1%
Total variable remuneration	**759**	**37.4%**	**700**	**36.9%**
Current service cost	**580**	**28.6%**	**548**	**28.9%**
Total earned remuneration for review of compliance with maximum remuneration	**2,031**	**100.0%**	**1,897**	**100.0%**

Lutz Meschke

Board of management member responsible for investment management (since 1 July 2020)

€ thousand	2021 € thousand	2021 %	2020 € thousand	2020 %
Fixed remuneration	540		270	
Fringe benefits			0	
Total fixed remuneration	**540**	**55.3%**	**270**	**58.7%**
Short-term incentive				
STI 2021	150	15.4%		
STI 2020			64	13.9%
Long-term incentive				
LTI 2021	225	23.0%		
LTI 2020			96	20.9%
Total variable remuneration	**375**	**38.4%**	**160**	**34.8%**
Current service cost	**62**	**6.3%**	**30**	**6.6%**
Total earned remuneration for review of compliance with maximum remuneration	**977**	**100.0%**	**460**	**100.0%**

To measure variable remuneration for the fiscal year 2021, the supervisory board assessed the achievement of the individual performance targets set for the fiscal year 2021.

The supervisory board discussed the performance targets in detail. A decision on their achievement was made on the basis of an assessment of the individual performance of the members of the board of management. Where no provision was made for the measurability of target achievement, the supervisory board carried out this assessment at its due discretion.

Dr. Döss' individual performance targets comprised successful and efficient litigation, the further development of the company's legal organization as well as employee development. Mr. Meschke's individual performance targets comprised the identification of investment opportunities, the further development of the company's investment management organization, the active value management of the investment portfolio as well as employee development.

With regard to determining the modifier for the fiscal year 2021, the economic situation and development of the company was assessed on the basis of the group result after tax for the fiscal year 2021 compared to the group result after tax for the fiscal year 2021 planned in the fiscal year 2020. The general performance of the board of management members in the fiscal year 2021 was assessed at the supervisory board's reasonable discretion provided this had not already been covered by the assessment of the individual targets.

The payout hurdle for the LTI 2021 is met when a positive group result before tax is achieved in the fiscal year 2023.

The table below presents the reconciliation of the bonus target amount to the total bonus amount for each board of management member earned for the fiscal year 2021 and set by the supervisory board.

€ thousand	Dr. Döss	Meschke
Target bonus amount	600	250
Overall degree of target achievement of individual targets (%)	115	146
Intermediate amount	**690**	**366**
Modifier	1.1	1.1
Total bonus amount in consideration of bonus cap (150%)	**759**	**375**
Special adjustment factor	1	1
Set total bonus amount	**759**	**375**

The LTIs earned but not yet paid out as of 31 December 2021 comprised LTI components for the following fiscal years:

€ thousand	Dr. Döss	Meschke	von Hagen until 30 June 2020
LTI 2021	455	225	25[1]
LTI 2020	420	96	150[1]
LTI 2019	390		150
	1,265	**321**	**325**

[1] In connection with Mr. von Hagen leaving the board of management of Porsche SE in the fiscal year 2020, it was agreed that the benefits to which he is entitled under his service contract would be honored in full until the end of the term of the contract on 28 February 2021. As a result of this, Mr. von Hagen receives long-term variable remuneration of €75 thousand (part of the LTI 2020) for the period from 1 July 2020 to 31 December 2020 as well as long-term remuneration of €25 thousand (LTI 2021) for the period from 1 January 2021 to 28 February 2021. The originally planned determination/disbursement requirements for the variable remuneration (positive group result before tax and positive net liquidity of Porsche SE) are no longer applied.

6. Compliance with remuneration ceiling

Maximum remuneration

The supervisory board has set the maximum remuneration for the entire board of management at €24 million per year.

This maximum remuneration constitutes the maximum amount that may be awarded to the entire board of management under the remuneration system 2021 for board of management activities for a given fiscal year and includes all of the fixed and variable remuneration components (i.e., including any special bonuses or bonus adjustments due to extraordinary developments). Accordingly, the amount of the maximum remuneration includes the fixed salary, the one-year and multiple-year variable remuneration components (STI and LTI and also including any special bonuses), some conditional, earned for the relevant fiscal year, all fringe benefits and the service cost for pension commitments.

The remuneration, some conditional, earned by the entire board of management in the fiscal year 2021 amounts to €4 million in total and is therefore below the remuneration ceiling.

Malus and clawback provisions

Subject to the contractual provisions, the supervisory board is able under certain conditions to retain variable remuneration components that have not yet been paid out (“malus”) or – to the extent they have already been paid out – to reclaim such components (“clawback”).

In the fiscal year 2021, Porsche SE did not retain or reclaim any variable remuneration components from individual members of the board of management.

7. Remuneration of former board of management members in the fiscal year 2021

In connection with Mr. von Hagen leaving the board of management as of 30 June 2020, it was agreed in the fiscal year 2020 that the benefits to which he is entitled under his service contract would be honored in full until the end of the term of the contract on 28 February 2021. In this connection, a total lump-sum bonus amount (STI and LTI) of €250 thousand was determined for each fiscal year 2020 and 2021 (pro rata temporis). When they fall due is determined according to the usual points in time agreed in the service contract; the disbursement requirements (positive group result before tax and – in the case of the long-term variable remuneration – also positive net liquidity of Porsche SE) no longer apply.

As a result, in the fiscal year 2021 Mr. von Hagen received a fixed salary of €90 thousand, fringe benefits of €9 thousand, short-term variable remuneration for the fiscal year 2020 of €100 thousand as well as long-term variable remuneration for the fiscal year 2018 of €150 thousand. The remuneration awarded and due in the fiscal year 2021 thus amounted to €349 thousand, comprising 28% fixed and 72% variable remuneration components.

The LTI 2018 was set by the supervisory board in 2019 based on previous remuneration principles (corresponding to section “III. 2. Variable remuneration (previous remuneration principles relevant in the reporting year)”). The individual performance targets of Mr. von Hagen comprised the creation of the organizational foundations for professional investment management, the further development and operationalization of the investment strategy, positioning Porsche SE on the capital market as a powerful investment platform as well as profit- and risk-based management of the investment portfolio. In this regard, the supervisory board discussed the performance targets in detail in the fiscal year 2019. A decision on their achievement was made at its due discretion on the basis of an assessment of Mr. von Hagen’s individual performance. With regard to the LTI 2018, the supervisory board awarded a bonus of €150 thousand (maximum bonus amount: €180 thousand).

IV. Remuneration of the supervisory board

Supervisory board remuneration system in the fiscal year 2021

The remuneration of Porsche SE’s supervisory board members is governed by Art. 13 of the articles of association. For their work, the members of the supervisory board exclusively receive fixed remuneration, the amount of which depends specifically on the tasks assumed on the supervisory board and its committees.

According to the provisions set out in the articles of association, the annual basic remuneration is €150 thousand for the chairman of the supervisory board, €100 thousand for his deputy and €75 thousand for every other member of the supervisory board. The chairman of the audit committee receives an additional €100 thousand annually and every other member of the audit committee each receives an additional €50 thousand annually. For the activities undertaken on the committees other than the nominations committee and the investment committee (currently not established), the chairman receives an additional €50 thousand and every other member an additional €25 thousand each. If a member of the supervisory board holds more than two offices on committees at the same time, that member receives only the remuneration for the two most highly remunerated offices.

Supervisory board members who are members of the supervisory board or of a committee or who act as (deputy) chairman for only a part of a fiscal year receive reduced remuneration proportionate to that period.

The members of the supervisory board are also covered by a D&O insurance policy maintained by the company; the premiums of the D&O insurance are paid by Porsche SE. In addition, the company reimburses each supervisory board member for his/her expenses as well as for any value added tax legally owed on his/her remuneration or on the reimbursement of his/her expenses.

The fixed remuneration is due and payable after each fiscal year ends. Expenses shall be reimbursed without undue delay. There are no further postponement periods for the payment of remuneration components.

The remuneration system for the supervisory board is to allow the company to continue to attract and retain independent, qualified candidates with valuable specialist and industry-specific expertise for its supervisory board. This is a prerequisite for the supervisory board to engage in its advisory and monitoring activities in the best possible way. The remuneration is set and designed in a way that materially promotes the strategy and long-term development of Porsche SE.

Awarded and due remuneration of the supervisory board members active in the fiscal year 2021

The remuneration for the current members of Porsche SE's supervisory board presented below relates to the remuneration awarded and due in the fiscal year 2021 (or 2020), relating to the amounts actually received for their service on the supervisory board as well as for their service on committees of the supervisory board of Porsche SE in the fiscal year 2020 (or 2019).

€ thousand	Fixed remuneration 2021	Remuneration for committee activities 2021	Total 2021	Total 2020
Dr. Wolfgang Porsche	150	50	200	200
Dr. Hans Michel Piëch	100	75	175	175
Prof. Dr. Ulrich Lehner	75	100	175	175
Dr. Ferdinand Oliver Porsche	75	75	150	150
Mag. Josef Michael Ahorner	75		75	75
Mag. Marianne Heiß	75		75	75
Dr. Günther Horvath	75		75	75
Dr. Stefan Piëch	75		75	75
Peter Daniell Porsche	75		75	75
Prof. KR Ing. Siegfried Wolf	75		75	54
Total	**850**	**300**	**1,150**	**1,129**

V. Comparative presentation of the annual change in remuneration of members of the board of management and supervisory board to the earnings development of the company and to the average remuneration of employees at Porsche SE

The table below presents the percentage change in the remuneration of current or former board of management members awarded and due in each fiscal year, the earnings situation of Porsche SE and the average remuneration of full-time-equivalents at Porsche SE.

The development of the board of management's and the supervisory board's remuneration is based on the remuneration awarded and due within the meaning of Sec. 162 (1) Sentence 1 AktG, as stated in section "III. 4. Awarded and due remuneration of the board of management members active in the fiscal year 2021" and "III. 7 Remuneration of former board of management members in the fiscal year 2021" or "IV. Remuneration of the supervisory board".

The earnings development of the company is generally presented using the development of net income for the year of Porsche SE pursuant to Sec. 275 (2) No. 17 HGB. As the group result after tax of Porsche SE serves as a key performance indicator and also influences the variable remuneration of the board of management, the development of the group result after tax is also presented.

For the development of the average remuneration of the employees, the group of employees at Porsche SE below the board of management, i.e., including the first management level (but not including the employees of group companies), is used as a basis. The remuneration of part-time staff is extrapolated to full-time equivalents.

	Annual change 2021 vs. 2020	Annual change 2020 vs. 2019	Annual change 2019 vs. 2018	Annual change 2018 vs. 2017	Annual change 2017 vs. 2016
Remuneration of the board of management					
Hans Dieter Pötsch	−7.4%	−1.0%	−5.8%	3.9%	1.3%
Dr. Manfred Döss	43.1%	−3.1%	−17.1%	0.7%	101.2%
Lutz Meschke (since 1 July 2020)	123.6%[1]				
Philipp von Hagen (until 30 June 2020)	−60.5%[1]	0.2%	3.4%	−3.3%	44.4%
Remuneration of the supervisory board					
Dr. Wolfgang Porsche	0.0%	0.0%	50.2%	−7.4%	−13,2%
Dr. Hans Michel Piëch	0.0%	0.0%	103.1%	−12.9%	1.1%
Prof. Dr. Ulrich Lehner	0.0%	0.0%	31.5%	−3.4%	−15.3%
Dr. Ferdinand Oliver Porsche	0.0%	0.0%	50.2%	−13.4%	−10.4%
Mag. Josef Michael Ahorner (since 4 July 2018)	0.0%	101.7%[1]			
Mag. Marianne Heiß (since 15 May 2018)	0.0%	58.0%[1]			
Dr. Günther Horvath (since 13 March 2018)	0.0%	24.1%[1]			
Dr. Stefan Piëch (since 4 July 2018)	0.0%	101.7%[1]			
Peter Daniell Porsche (since 4 July 2018)	0.0%	101.7%[1]			
Prof. KR Ing. Siegfried Wolf (since 11 April 2019)	37.7%[1]				
Earnings performance					
Net income for the year of Porsche SE (HGB)	17.2%	−10.8%	64.1%	104.5%	−435.8%
Group result after tax of Porsche SE	74.0%	−40.5%	26.3%	6.5%	138.5%
Development of the average remuneration of the employees					
Total workforce of Porsche SE	1.7%	4.9%	−3.7%	0.6%	−2.0%

[1] Changes largely result from the time of joining/leaving the board of management or supervisory board.

Stuttgart, 18 March 2022
Porsche Automobil Holding SE

The board of management

The supervisory board

On completion of our audit, we issued an auditor’s report dated 18 March 2021 in German language. The following text is a translation of this auditor’s report. The German text is authoritative:

Auditor’s report

To Porsche Automobil Holding SE, Stuttgart

We have audited the remuneration report of Porsche Automobil Holding SE, Stuttgart, for the financial year from 1 January 1 to 31 December 2021 including the related disclosures, which was prepared to comply with § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act].

Responsibilities of the Executive Directors and the Supervisory Board

The executive directors and the supervisory board of Porsche Automobil Holding SE are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts including the related disclosures stated in the remuneration report. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatement of the remuneration report including the related disclosures, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive directors and the supervisory board, as well as evaluating the overall presentation of remuneration report including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, based on the findings of our audit, the remuneration report for the financial year from 1 January to 31 December 2021, including the related disclosures, complies in all material respects with the accounting provisions of § 162 AktG.

Reference to an Other Matter – Formal Audit of the Remuneration Report according to § 162 AktG

The audit of the content of the remuneration report described in this auditor's report includes the formal audit of the remuneration report required by § 162 Abs. [paragraph] 3 AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the content of the remuneration report, this audit opinion includes that the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report.

Restriction on use

We issue this auditor's report on the basis of the engagement agreed with Porsche Automobil Holding SE. The audit has been performed only for purposes of the company and the auditor‘s report is solely intended to inform the company as to the results of the audit. Our responsibility for the audit and for our auditor's report is only towards the company in accordance with this engagement. The auditor's report is not intended for any third parties to base any (financial) decisions thereon. We do not assume any responsibility, duty of care or liability towards third parties; no third parties are included in the scope of protection of the underlying engagement. § 334 BGB [Bürgerliches Gesetzbuch: German Civil Code], according to which objections arising from a contract may also be raised against third parties, is not waived.

Stuttgart, 18 March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Harald Kayser Wirtschaftsprüfer (German Public Auditor)	Jürgen Berghaus Wirtschaftsprüfer (German Public Auditor)

Porsche SE share

Stock markets[1]

The Covid-19 pandemic continued to dominate political and social discussion in the reporting year 2021. Infection rates declined significantly in the summer of 2021 once vaccines had been approved and vaccination campaigns were launched around the world. This also had an impact on the international financial markets, which reacted with an upward trend given the brightening outlook for macroeconomic development. It was not until towards the end of 2021 that virus mutations such as Delta and Omicron caused uncertainty again with a renewed surge in infection rates worldwide.

In addition to Covid-19, many companies in the manufacturing industry were struggling with the global semiconductor shortage as well as generally severe restrictions in supply chains. The automotive industry was also affected by this. The jump in inflation in the eurozone towards the end of 2021 triggered renewed discussion about the European Central Bank's ongoing low-interest policy.

Other factors influencing the financial markets were the foreign and economic policy of the USA under the leadership of new president Joe Biden and its relationship with China, political crises, which were triggered by the withdrawal of US troops from Afghanistan, and relations between the European Union and Russia. At a national level, the German parliamentary elections dominated the economic policy debate in late summer 2021.

The German stock index (DAX) showed a positive development in 2021. After hitting its annual low of 13,432.87 points on 29 January, the index experienced a steady increase until August, shifting to a sideways movement in the second half of the year with small upward fluctuations. The DAX reached its annual high on 17 November (16,251.13 points). The index closed the trading year at 15,884.86 points – up 2,166.08 points or around 15.79% from its close on 30 December 2020 (13,718.78 points).

The Euro Stoxx 50 closed 2021 at 4,298.41 points, an increase of 20.99% on the closing price in 2020 (3,552.64 points). The annual high of 4,401.49 points was recorded on 16 November. The annual low of 3,481.44 points was recorded on 29 January.

In the first half of the fiscal year 2021, the price of the Porsche SE preference share was in line with the general market development, rising steadily from its annual low of 11 January 2021 (€54.98). On 7 June 2021, it reached its annual high of €101.20. In the fall, the price fell again to some extent,

1 Xetra-trading, all disclosures with regard to the respective closing price

resulting in a share price of €83.44 as of year-end 2021. This represents an increase of 47.94% compared to the price as of the end of 2020 (€56.40).

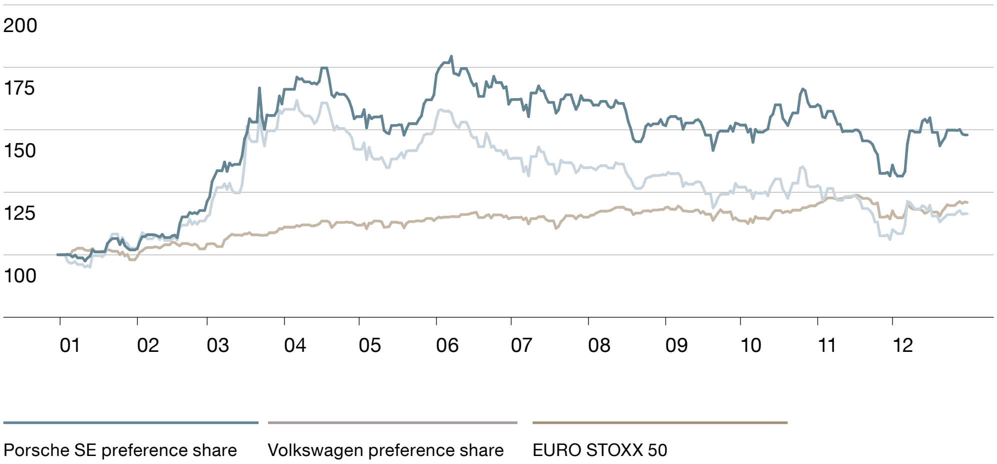
Since September 2021, Porsche SE has been listed on the DAX. For us, this was an important step as it has led to an increase in the general public's perception of the company. We are convinced that the higher level of awareness will make us even more attractive as an investment holding company.

2021 annual general meeting

Porsche SE's annual general meeting was held on 23 July 2021 – virtually as in the prior year. This was due to the still prevailing uncertainty regarding the limitation of the number of participants in connection with the Covid-19 pandemic. The shareholders resolved to distribute a dividend of €2.21 per preference share and of €2.204 per ordinary share for the fiscal year 2020. This corresponds to a payout of around €676 million, unchanged on the prior year.

The members of the board of management and those of the supervisory board holding office in the fiscal year 2020 were exonerated.

Development of the Porsche SE preference share price 2021
(indexed to 31 December 2020)



Porsche SE preference share: basic data

ISIN	DE000PAH0038
WKN	PAH003
Stock codes	PSHG_p.DE, PAH3:GR
Stock exchange	All German stock exchanges
Trading segment	General Standard
Sector	Automotive
Key indices	DAX, CDAX, General All Share, MSCI Euro Index, STOXX Europe 600 Index, STOXX All Europe 800, EURO STOXX Auto & Parts
Subscribed capital[1]	€306,250,000
Denomination	153,125,000 ordinary and preference shares respectively
Class of shares	No-par value bearer shares

[1] Of which half as ordinary shares

Shareholder composition

Porsche SE's subscribed capital in the form of no-par value bearer shares comprises 153,125,000 ordinary shares and 153,125,000 non-voting preference shares, each share arithmetically representing a 1 euro notional value of the share capital.

Significantly more than half of the preference shares are held by institutional investors, the majority of which are based outside of Germany. Private investors in Porsche SE's preference shares are largely based in Germany.

Porsche SE share key figures

		2021	2020	2019
Closing price[1,2]	€	83.44	56.40	66.64
Annual high[1,2]	€	101.20	69.86	70.00
Annual low[1,2]	€	54.98	30.27	50.28
Number of ordinary shares issued (31 December)		153,125,000	153,125,000	153,125,000
Number of preference shares issued (31 December)		153,125,000	153,125,000	153,125,000
Market capitalization (31 December)[3]	€	25,553,500,000	17,272,500,000	20,408,500,000
Earnings per ordinary share from continuing operations[4]	€	14.90	8.56	14.39
Earnings per preference share from continuing operations[4]	€	14.90	8.57	14.39
Dividend per ordinary share	€	2,554[5]	2.204	2.204
Dividend per preference share	€	2,560[5]	2.210	2.210

1 Preference share in Xetra trading
2 Based on the closing price
3 Assuming ordinary shares are valued at the market price of the preference shares
4 Basic and diluted
5 Proposal to the annual general meeting of Porsche SE

Investor relations activities

The board of management and the investor relations department of Porsche SE maintained intensive contact with analysts and investors in the fiscal year 2021. This went far beyond the regular reporting in the quarterly and half-yearly financial reports as well as the annual general meeting. Due to the Covid-19 pandemic, face-to-face events and roadshows were again only possible to a very limited extent in 2021. In order to nevertheless meet all the information needs of capital market participants, the investor relations team used digital communication channels such as virtual meetings or conference calls.

The aim of our investor relations work was and is to inform the capital market participants about the latest business developments, investment strategy as well as the status of the legal proceedings.

For sustainability reasons and to reduce costs, Porsche SE decided for the first time not to produce a printed version of its annual report in the fiscal year 2021. The current annual report as well as all previous annual reports since the company was founded in 2007 are available for download on its website:

https://www.porsche-se.com/en/investor-relations/financial-publications

Group management report and management report of Porsche Automobil Holding SE

2

Group management report and management report of Porsche Automobil Holding SE

Fundamental information about the group

Porsche Automobil Holding SE ("Porsche SE" or the "company"), as the ultimate parent of the Porsche SE Group, is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. As of 31 December 2021, the Porsche SE Group had 882 employees (916 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 Aktiengesellschaft, Wolfsburg ("Volkswagen AG" or "Volkswagen"), and INRIX Inc., Kirkland, Washington, USA ("INRIX"), are included in Porsche SE's IFRS consolidated financial statements as associates. PTV Planung Transport Verkehr GmbH, Karlsruhe (formerly PTV Planung Transport Verkehr AG, Karlsruhe) ("PTV"), together with its subsidiaries (collectively the "PTV Group"), is included in Porsche SE's consolidated financial statements as a fully consolidated entity as of 31 December 2021. The PTV Group was deconsolidated in January 2022 following the sale of a majority shareholding in PTV. The non-controlling interest in PTV indirectly remaining at Porsche SE will from now on be included as an associate in Porsche SE's consolidated financial statements.

The business activities of Porsche SE include in particular the acquisition, holding and administration 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 management reports for Porsche SE and for the Porsche SE Group are combined in this report ("combined management report").

Investment management of Porsche SE

Porsche SE is a holding company with investments in the areas of mobility and industrial technology. In particular, it holds the majority of the ordinary shares in Volkswagen AG, one of the leading automobile manufacturers in the world. As the parent company of the Volkswagen Group, Volkswagen AG directly and indirectly holds investments in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Dr. Ing. h.c. F. Porsche AG ("Porsche AG"), TRATON SE ("TRATON"), Volkswagen Financial Services AG, Volkswagen Bank GmbH as well as in numerous other companies in Germany and abroad. In addition to the investment in Volkswagen, the Porsche SE Group holds a stake in the PTV Group, which was fully consolidated until 31 December 2021, as well as non-controlling interests in seven technology companies based in the USA, Israel and Germany.

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

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

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 result and liquidity are the core management indicators in the Porsche SE Group.

The IFRS group result after tax is used as the financial indicator for the result of the Porsche SE Group. For liquidity, net liquidity is monitored and managed accordingly. By definition, net liquidity is calculated as cash and cash equivalents, time deposits and securities less financial liabilities.

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

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

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

Report on economic position

Significant events and developments at the Porsche SE Group

Global spread of the coronavirus SARS-CoV-2

The mostly dynamic infection pattern seen in connection with the global spread of the SARS-CoV-2 virus initially continued in many places in 2021. Over the course of the year, many countries largely lifted their restrictions on everyday life and the economy, depending on the progress of their vaccination campaigns. The global spread of the SARS-CoV-2 coronavirus brought enormous disruption to all areas of everyday life and the economy overall in 2021.

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 €14.8 billion in the fiscal year 2021 compared to €8.3 billion in the prior-year period. From January to December 2021, negative special items in connection with the diesel issue affected the passenger cars business area’s operating result in an amount of €0.8 billion (€0.9 billion). They largely result from legal risks. Furthermore, the Covid-19 pandemic and the measures taken around the world to contain it as well as the semiconductor shortage had a significant impact on business (see also sections “Business development” and “Results of operations of the Volkswagen Group”).

As of 31 December 2021, there were no indicators on the basis of the earnings forecasts of an impairment loss on the investment in Volkswagen AG accounted for at equity. However, an impairment in the carrying amount of the investment cannot be ruled out, particularly in the event of any sustained decline in earnings, for example due to the effects of the Covid-19 pandemic, shortages of intermediates, in particular semiconductors, and commodities, the Russia-Ukraine conflict and/or a further increase in the costs of mitigating the diesel issue. This may also have consequences for the dividend policy of Volkswagen AG and therefore for the cash inflows at the level of Porsche SE. Please refer to the explanations in the section “Opportunities and risks of future development” in the combined management report for the fiscal year 2021.

Completion of Bridgepoint's investment in PTV

In October 2021, Bridgepoint Advisers Limited, London, UK ("Bridgepoint"), and Porsche SE entered into a partnership to advance the development of PTV. The transaction was completed in January 2022 once all closing conditions had been met. Under this partnership, Bridgepoint has an initial 60% shareholding in PTV, while Porsche SE indirectly retains a significant stake of initially 40% in the company. Porsche SE received a cash inflow of around €0.2 billion from this transaction in the fiscal year 2022. As a result of the deconsolidation, around €0.1 billion in income will also be recorded in the result from discontinued operations in the fiscal year 2022.

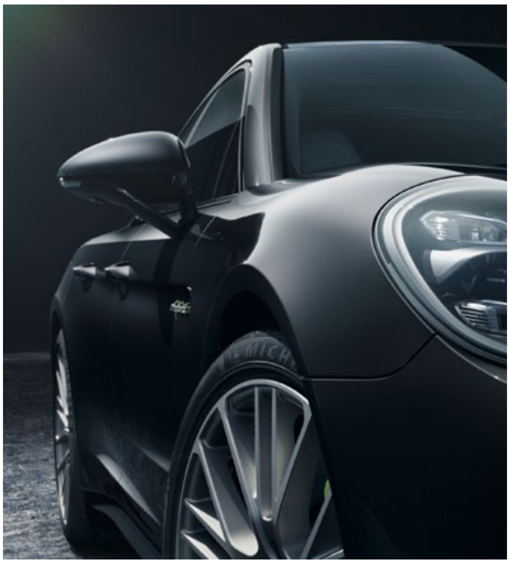
In March 2022, Porsche SE, together with Bridgepoint, acquired the Econolite Group, Inc., Anaheim, California, USA ("Econolite"). Together with PTV, this will create a world-leading technological provider of forward-looking infrastructure and traffic solutions. PTV and Econolite are being combined under a joint holding company. To finance the purchase price, Porsche SE will participate in a capital increase with an amount in the low double-digit million range. With a non-controlling share of around 10%, the previous owners of Econolite will have a stake in the new group, thereby proportionately reducing Porsche SE's and Bridgepoint's shareholding in the combined group comprising PTV and Econolite. The transaction, which is subject to competition clearances, is scheduled to complete by mid-2022.

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

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

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

A model case according to the Capital Markets Model Case Act (KapMuG) against Porsche SE initiated by an order of reference of the Regional Court of Hanover dated 13 April 2016 is pending with the Higher Regional Court of Celle. Subject of those actions are alleged damage claims based on alleged market manipulation and alleged inaccurate information in connection with Porsche SE's increase of the investment in Volkswagen AG. In part these claims are also based on alleged violations of antitrust regulations. In the six initial proceedings suspended with reference to the model case, a total of 40 plaintiffs are asserting alleged claims for damages of about €5.4 billion (plus interest). Since the beginning of the model case, several hearings have already been held before the Higher Regional Court of Celle, in which the court, inter alia, explained its preliminary view on the state of affairs and of the dispute. The next hearings are



scheduled to begin on 28 April 2022. Porsche SE is of the opinion that the claims asserted in the suspended initial proceedings are without merit and that the requested establishment objectives in the model case will be rejected. Porsche SE considers its opinion endorsed by the previous development of the oral hearing before the Higher Regional Court of Celle.

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

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

Legal proceedings and legal risks in connection with the diesel issue

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

Before the Regional Court of Stuttgart 204 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 €789.9 million (plus interest) and in part establishment of liability for damages.
24 claims for damages against Porsche SE, with a claim volume (according to the current assessment

of the partially unclear head of claims) of approximately €8.3 million (plus interest), are pending before the Regional Court of Braunschweig. A number of the proceedings pending before the Regional Court of Stuttgart and the Regional Court of Braunschweig are currently suspended with reference to the KapMuG proceedings pending before the Higher Regional Court of Stuttgart and the Higher Regional Court of Braunschweig. Porsche SE considers the actions filed against it before the Regional Court of Stuttgart to be without merit. The actions filed against Porsche SE before the Regional Court of Braunschweig are considered by Porsche SE to be inadmissible and to be without merit.

In addition, three further proceedings, in which a total of further approximately €288 million (plus interest) in damages was claimed, are pending before the Higher Regional Court of Stuttgart on appeal. In two of the appeal proceedings in which a total of approximately €164 million (plus interest) in damages was claimed, the Regional Court of Stuttgart had granted the actions in the amount of approximately €47 million (plus interest) and otherwise dismissed the actions on 24 October 2018. Porsche SE and the respective plaintiffs filed appeals. In one of the proceedings, after oral hearing, the announcement of a decision has been scheduled for 31 March 2022. 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 €124 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, is pending before the Higher Regional Court of Stuttgart. On 22 October 2020, the Higher Regional Court of Stuttgart appointed a model case plaintiff. Until now, three oral hearings have taken place before the Higher Regional Court of Stuttgart. The next hearing is scheduled for 13 July 2022. Further oral hearings are currently not determined.

Following corresponding orders to suspend the proceedings by the Regional Court of Braunschweig and the courts of Stuttgart, Porsche SE became a further model case defendant in the model case proceedings before the Higher Regional Court of Braunschweig. The Higher Regional Court of Braunschweig issued a meanwhile binding partial model case ruling regarding questions of jurisdiction. Several oral hearings have taken place before the Higher Regional Court of Braunschweig. The next oral hearing is set to take place on 26 April 2022.

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

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

In connection with the diesel issue, in April 2021, two plaintiffs filed a derivative action against Porsche SE, current and former members of the management and supervisory boards of Volkswagen AG, current and former executives of Volkswagen AG and its subsidiaries, four Volkswagen AG subsidiaries and others in the Supreme Court of the State of New York, County of New York. The plaintiffs claim to be shareholders of Volkswagen AG and allege claims of Volkswagen AG on its behalf. The action is based, inter alia, on an alleged violation of duties vis-à-vis Volkswagen AG pursuant to the AktG ["Aktiengesetz": German Stock Corporation Act] and the German Corporate Governance Code (DCGK). The plaintiffs request, inter alia, a declaration that the defendants have breached their respective duties vis-à-vis Volkswagen AG, and an award to Volkswagen AG as compensation for the alleged damages it sustained as a result of the alleged violation of duties, plus interest. In September 2021, the parties filed a stipulation, which is subject to court approval, accepting service on behalf of certain defendants including Porsche SE, staying all discovery and setting a motion to dismiss briefing schedule.

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

So-called status proceedings were initiated against Porsche SE before the Regional Court of Stuttgart. With applications dated 11 July 2021 and 18 July 2021, the applicant has asked the court to find that Porsche SE's supervisory board is to be composed of half shareholder representatives and half employee representatives. Porsche SE considers this application to be inadmissible and without merit.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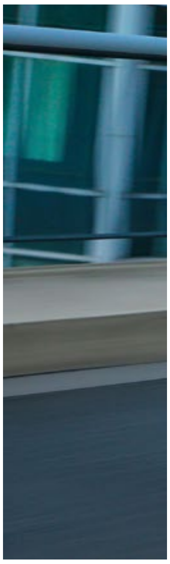

Significant events and developments at the Volkswagen Group

Covid-19 pandemic/supply shortages

Over the course of 2021, many restrictions were lifted also due to rising vaccination rates. No significant impairment losses relating to the Covid-19 pandemic had to be recognized in Volkswagen AG's consolidated financial statements as of 31 December 2021. The semiconductor shortage and resulting supply shortages had an increasingly negative impact across the entire industry. This also affected production at the Volkswagen Group. For further details, please refer to the chapter "Business development" as well as the sections "Results of operations of the Volkswagen Group", "Opportunities and risks of the Volkswagen Group" and "Anticipated development of the Volkswagen Group".

Diesel issue

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

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

In the fiscal year 2021, special items of €751 million were recognized at the level of the Volkswagen Group in connection with the diesel issue. These special items were attributable to additional expenses of €968 million primarily for legal risks. This was offset by income from damage settlements and income from the reversal of provisions for warranties that are no longer required.

The income from damage settlements of € 217 million was brought about by agreements with former members of the board of management entered into in June 2021 with the goal of achieving speedy, legally certain, and final resolution of the diesel issue as far as the civil liability of members of governing bodies was concerned. To this end, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Dr. Winterkorn and Mr. Stadler respectively in connection with the diesel issue. Prof. Dr. Winterkorn's damage payment amounts to €11.2 million and that of Mr. Stadler to €4.1 million. In addition, provisions of €3.1 million were reversed in this context. Volkswagen has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement), of which €196 million was recognized through profit or loss.

In addition, agreement was reached on damage payments by a former member of Audi’s board of management and by a former member of Porsche AG's board of management. One former member of Audi’s board of management was unwilling to reach a settlement; legal action is being prepared against him. Claims were already asserted against a former member of the Volkswagen passenger cars brand board of management. The annual general meeting of Volkswagen AG gave its approval to these agreements on 22 July 2021.

Significant transactions

Acquisition of Navistar

On 1 July 2021, a TRATON GROUP company acquired all of the outstanding shares in Navistar International Corporation (“Navistar”), a US manufacturer of commercial vehicles based in Lisle, Illinois, USA. The purchase price of €3.1 billion (US$3.7 billion) was paid in cash. TRATON now indirectly holds 100% of the shares in Navistar, which was previously accounted for using the equity method (interest of 16.7%). The initial recognition of the acquisition has not been finalized due to the size of the transaction, as the internal reviews of the underlying information have not yet been completed. This means that the amounts recognized by the Volkswagen Group as of 31 December 2021 are provisional. The transition of the treatment of Navistar from equity accounting to consolidation gave rise to a non-cash gain of €182 million during initial consolidation, which was presented in the financial result of the Volkswagen Group. The result after tax including impairment losses on the realization of hidden reserves of the Volkswagen Group decreased by €0.2 billion.

Equity investments held for sale

In March 2021, Brose Fahrzeugteile SE & Co. Kommanditgesellschaft (“Brose”) and VW Finance Luxemburg S.A., a subsidiary of Volkswagen AG, entered into an agreement to establish a jointly operated company for the development and manufacture of complete seat units, seat structures and components, and solutions for the vehicle interior. As part of this arrangement, Brose acquired half of the shares of the Volkswagen Group company SITECH Sp. z o.o., Polkowice, Poland (“SITECH”). Brose and Volkswagen each hold 50% of the jointly operated company, whereby Brose will take the industrial lead. Consequently, Brose will control the jointly operated company and Volkswagen, given its significant influence following the transaction, will account for the company as an associate using the equity method. Once all closing conditions had been met, the transaction was completed on 1 January 2022. The assets of SITECH were classified as held for sale in accordance with IFRS 5 in Volkswagen’s consolidated financial statements as of the end of the fiscal year.

Establishment of Bugatti Rimac d.o.o., Sveta Nedelja, Croatia

In 2021, the Volkswagen Group and Rimac Automobili d.o.o., Sveta Nedelja, Croatia (“Rimac”), established Bugatti Rimac d.o.o., which has its headquarters in Sveta Nedelja. Volkswagen contributed its consolidated subsidiaries Bugatti Automobiles S.A.S, Molsheim, France, and initially 51% of Bugatti International S.A., Strassen, Luxembourg. After proportional profit elimination, the contribution led to a non-cash gain of €124 million, which was recognized in the other operating result of the Volkswagen Group. Rimac holds 55% of the shares in the company, and Volkswagen holds 45% through Porsche AG. In addition, Porsche AG holds a direct interest of 22% in Rimac. In the consolidated financial statements of Volkswagen AG, both equity investments are reported under investments accounted for at equity.

Sale of MAN Truck & Bus Österreich GesmbH, Steyr, Austria

The sale of MAN Truck & Bus Österreich GesmbH, Steyr, Austria (“MTBÖ”), as part of restructuring measures, was completed with effect from 31 August 2021. The assets and liabilities of MTBÖ were presented as a disposal group in the financial statements of the Volkswagen Group until the date of sale. The sale led to the recognition of an expense at the Volkswagen Group, of which €160 million was mainly attributable to impairment losses on property, plant and equipment and €144 million to a loss on deconsolidation. The total expense of €304 million related to the disposal is presented in other operating expenses of the Volkswagen Group.

Merger of MAN SE with TRATON SE

The merger of MAN SE (“MAN”) with TRATON was adopted by resolution of the annual general meeting of MAN SE at the end of June 2021. The merger resolution also triggered the process to transfer the shares held by non-controlling interest shareholders of MAN to TRATON against payment of an appropriate cash settlement (merger squeeze-out). In this context, the present value of the put options granted, amounting to approximately €587 million, was recognized as a current liability directly in equity. The non-controlling interests in the Volkswagen Group’s equity, as well as the retained earnings and other reserves attributable to the shareholders of Volkswagen AG declined accordingly.

The merger of MAN with TRATON was entered in the commercial registers for MAN and TRATON on 31 August 2021. The squeeze-out took legal effect upon entry in the commercial register. This was followed at the beginning of September 2021 by the disbursement of the cash settlement of €70.68 per ordinary and preference share to the non-controlling interest shareholders of MAN SE, thus completing the MAN SE squeeze-out. The appropriateness of the cash settlement is being reviewed by judicial award proceedings initiated by non-controlling interest shareholders who had received a settlement as a result of the squeeze-out.

Investment in Northvolt AB

In mid-June 2021, Volkswagen and the Swedish battery cell producer Northvolt AB agreed to concentrate production of Volkswagen premium cells in Skellefteå, Sweden. In connection with this, Volkswagen participated in a financing round at Northvolt AB that was proportionate to its shareholding, investing a further US$650 million in the company. Volkswagen also increased its existing convertible loan by a further €190 million and, at the same time, converted this part of the loan to preference shares. This increased Volkswagen's ownership interest in Northvolt AB to 23.6%. Due to favorable terms and conditions on conversion, the measurement of the converted loan resulted in non-cash income of €62 million at the Volkswagen Group. As a result, the carrying amount of the equity investment in Northvolt AB rose by €796 million at the Volkswagen Group. A convertible loan of €240 million remains on issue.

Equity investment in Gotion High-Tech Co., Ltd.

To expand its battery expertise, Volkswagen acquired an interest in Gotion High-Tech Co., Ltd., Hefei, China ("Gotion"), through Volkswagen (China) Investment Co. Ltd., making it the largest shareholder of the Chinese battery supplier at 26%. The Volkswagen Group spent a total of €1.2 billion on this transaction. The investment is accounted for using the equity method in the consolidated financial statements of Volkswagen AG.

Takeover offer for the shares of Europcar

At the end of July 2021, the Volkswagen supervisory board approved an agreement with investment firm Attestor Limited and with Pon Holdings B.V. for the submission of a joint public takeover offer for the shares of Europcar Mobility Group S.A., Paris, France ("Europcar") through a consortium company. Following a successful review of the offer documents, the French regulator approved the takeover offer at the end of November 2021. The period during which the Europcar shareholders can tender their shares began at the end of November 2021. Together with its two partners, Volkswagen is offering a price of €0.50 per Europcar share through the consortium company. If more than 90% of the shares are tendered, an additional one cent per share will be paid. As matters stand, the consortium will assume joint control of Europcar if the offer is accepted.

Volkswagen is the writer of put options held by the other members of the consortium, and the other members have granted Volkswagen call options on their shares in the consortium company. The measurement of the options led to a non-cash expense of €103 million in the fiscal year 2021, which was recognized in the financial result of the Volkswagen Group.

Antitrust investigations

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

Volkswagen accepted the decision, which was served on 12 July 2021, and filed no appeal, thus allowing the decision to become final.

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 €0.9 billion. Scania appealed to the European Court of Justice in Luxembourg and mounted a comprehensive defense. In a judgment rendered in February 2022, the European General Court (Court of First Instance) rejected Scania’s appeal in its entirety. Scania is currently analyzing the judgment and will in timely fashion decide whether to appeal it to the European Court of Justice. Scania had already recognized a provision of €0.4 billion in 2016 and increased this provision to approximately €0.9 billion in the reporting year.

Business development

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

General economic development

The global economy recovered in 2021 due to the temporary relaxation of many restrictions and recorded growth of 5.6% (minus 3.4%). The average rate of expansion of gross domestic product was far above the prior-year level in both the advanced economies and the emerging markets. The progress made by many countries in administering vaccines to their populations had a positive effect, while the emergence of new variants of the virus led to renewed national rises in infections. At a national level, performance was dependent among other things on the extent to which the negative impacts of the Covid-19 pandemic were materializing and the intensity with which measures were taken to contain the spread. The governments and central banks of numerous countries continued to maintain their expansionary fiscal and monetary policy measures. Interest rates therefore remained relatively low. Prices for many energy and other commodities rose significantly on average year on year, amid growing shortages of intermediates and commodities. On a global average, consumer prices increased at a faster pace than in 2020, and global trade in goods grew in the reporting year.

Trends in the markets for passenger cars and light commercial vehicles

In the fiscal year 2021, the volume of the passenger car market worldwide rose moderately by 4.2% to 70.9 million units from a weak level in the prior year. However, the growth was uneven owing to the effects of the Covid-19 pandemic, which varied strongly from region to region both in 2020 and in the reporting period. The semiconductor shortage and the resulting supply shortages also had a negative impact in the second half of 2021. The overall markets of the Asia-Pacific, South America, Africa and Middle East regions recorded above-average growth. Increases in Central and Eastern Europe as well as in North America were slightly below the global average, while in Western Europe, the market volume declined further, falling short of the poor prior-year figure.

In the reporting period, the global volume of new registrations for light commercial vehicles was slightly (1.5%) higher than in the prior year.

Trends in the markets for commercial vehicles

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

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes experienced pronounced growth versus the comparison period in the fiscal year 2021 (up 19.5%). In comparison with the prior year, which had been adversely affected by the Covid-19 pandemic, a recovery of the truck markets could be observed worldwide.

There was moderate growth in demand overall (up 3.0%) in the bus markets that are relevant for the Volkswagen Group compared with the prior year.

Trends in the markets for financial services

Demand for automotive financial services was buoyant in 2021 due, among other things, to the persistently low key interest rates in the main currency areas. Nevertheless, the Covid-19 pandemic and the limited vehicle availability due to the semiconductor shortage put pressure on the demand for financial services in almost all regions. Overall, a continuing shift from financing to leasing is being observed. Demand for mobility services in the retail and business customer segment increased. These services focus on the use rather than ownership of an automobile, for example car subscription models. There was also a moderate increase in demand for service products such as maintenance and servicing agreements or insurance, given that they allow customers to calculate total operating costs.

Volkswagen Group deliveries

The Volkswagen Group delivered 8.9 million vehicles to customers worldwide in the fiscal year 2021. This was 4.5% or 0.4 million units less than in the prior year. While sales figures for the passenger cars business area fell short of the prior-year figure, commercial vehicle deliveries to customers rose year on year.

With regard to the trend in our deliveries to customers, there were some appreciable differences across individual countries and regions in the reporting year, depending on the latest infection rates, the related restrictions and the scale of disruption caused by the pandemic in the prior-year period. Furthermore, the semiconductor shortage and the resulting limited availability of group models meant that demand could not be adequately met in some regions, particularly from the third quarter of

2021 onwards. While the number of vehicles delivered to customers in the individual months of the first half of 2021 only failed to exceed the prior-year figure in January, the number of vehicles delivered to customers in the second half of the year was below the comparative figure for the prior year in every month. Nevertheless, SEAT, Bentley, Lamborghini and Porsche all surpassed their prior-year figures. In the North America, South America, Middle East and Africa regions, Volkswagen registered higher sales figures than in the prior year.

The Volkswagen Group's sales figures continued to respond positively to its e-mobility campaign. In the fiscal year now ended, we delivered 0.5 million all-electric vehicles to customers worldwide, 0.2 million units more than in the prior year and accounting for 5.1% (2.5%) of the Volkswagen Group's total deliveries. Its plug-in hybrid models also remained very popular with the Volkswagen Group's customers, with 0.3 million (0.2 million) units being sold. As a result, electric vehicle deliveries climbed by 80.0%, with their share of total group deliveries rising to 8.6% (4.6%).

In an overall global market exhibiting moderate growth, Volkswagen achieved a passenger car market share of 11.7% (12.9%).

In the fiscal year 2021, the Volkswagen Group delivered 42.6% more commercial vehicles to customers worldwide than in the same period of the prior year, when demand was affected by a slump in core markets, which had been further intensified by the uncertainty generated by the Covid-19 pandemic. The Volkswagen Group delivered a total of 0.3 million commercial vehicles to customers.

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

	2021	2020	Change %
Regions			
Europe/Other markets	3,848,309	3,907,290	–1.5
North America	908,427	785,801	15.6
South America	514,626	489,698	5.1
Asia-Pacific	3,610,595	4,122,202	–12.4
Worldwide	**8,881,957**	**9,304,991**	**–4.5**
by brands			
Volkswagen passenger cars	4,896,914	5,328,090	–8.1
ŠKODA	878,202	1,004,816	–12.6
SEAT	470,531	426,641	10.3
Volkswagen commercial vehicles	359,546	371,609	–3.2
Audi	1,680,512	1,692,773	–0.7
Lamborghini	8,405	7,430	13.1
Bentley	14,659	11,206	30.8
Porsche	301,915	272,162	10.9
Bugatti[2]	63	77	–18.2
Passenger cars and light commercial vehicles total	**8,610,747**	**9,114,804**	**–5.5**
Scania	90,366	72,085	25.4
MAN	150,968	118,102	27.8
Navistar	29,876	-	x
Commercial vehicles total	**271,210**	**190,187**	**42.6**

1 Prior-year deliveries have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures. From 1 July 2021, the figures include Navistar.

2 Until 31 October 2021.

Sales, production and inventories at the Volkswagen Group

The Volkswagen Group's unit sales to the dealer organization[1] decreased by 6.3% to 8.6 million units (including the Chinese joint ventures) in the reporting year. Navistar has been included in these figures since 1 July 2021. During the reporting period, demand in markets around the world recovered from the declines in sales in the prior-year period precipitated by the Covid-19 pandemic. However, the limited vehicle availability due to the semiconductor shortage had a detrimental impact. Overall, the unit sales volume fell by 5.5% outside Germany – especially in China – and unit sales decreased by 12.2% in Germany.

In the reporting period, the Volkswagen Group produced 8.3 million vehicles (including the Chinese joint ventures), 6.9% less than in the same period of the prior year. The prior year had been marked by the impact of national measures to contain the pandemic, which had led to the disruption of supply chains with production subsequently being halted in the Volkswagen Group. In the fiscal year 2021 as well, supply shortages, especially for semiconductors, resulted in production cutbacks so that the total annual production volumes dropped even further. Navistar has been included in the group figures since 1 July 2021.

Global inventories of new vehicles at group companies and in the dealer organization were much lower at the end of the reporting period than at year-end 2020.

Volkswagen Group financial services

The financial services division's products and services were popular in the fiscal year 2021, although demand was impaired by the Covid-19 pandemic and the limited vehicle availability due to the semiconductor shortage. Since 1 July 2021, the financial services business of Navistar has also been included in the financial services division. At 8.6 million (8.6 million), the number of new financing, leasing, service and insurance contracts worldwide was on the prior-year level. The ratio of leased and financed vehicles to group deliveries (penetration rate) in the financial services division's markets rose to 36.1% (35.5%). As of 31 December 2021, the total number of contracts was 24.5 million, up 1.7% from the end of 2020.

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

The majority of the shares in PTV were sold in January 2022 (see the section "Significant events and developments at the Porsche SE Group") as part of Porsche SE's commitment to developing its investment strategy further. The central elements of this strategy include partnering with renowned investors. Until 30 September 2021, the business of PTV formed the business segment "Intelligent Transport Systems" ("ITS"), which comprised the development of smart software solutions for transport logistics, traffic planning and traffic management. Since then, PTV has been classified as a discontinued operation as defined by IFRS 5. As a result, the income and expenses previously allocated to the ITS segment have been presented net in separate line items ("from discontinued operations") in the income statement for both the reporting and the comparative period; the same has been done for the cash flows previously allocated to the ITS segment in the statement of cash flows. Furthermore, all assets and liabilities previously allocated to the ITS segment were recognized in the balance sheet items "assets classified as held for sale" or "liabilities associated with assets classified as held for sale" as of 31 December 2021.

In this connection, internal management and thus segment reporting along Porsche SE's investment strategy was developed further. Segment reporting is now split into the two segments "core investment" and "portfolio investments". These two segments combined previously formed the "PSE" segment. Furthermore, in the consolidated income statement, income and expenses from the measurement of portfolio investments at fair value are no longer recognized under the financial result as previously, but instead together with the result from investments accounted for at equity under the result from investments.

In order to ensure comparability of the figures for the fiscal year 2021 with the prior year, the figures below have been adjusted to bring them into line with the new segment and income statement structure.

Results of operations of the Porsche SE Group

The result after tax of the Porsche SE Group came to €4,566 million (€2,624 million) in the fiscal year 2021. Of this, €4,563 million (€2,630 million) related to continuing operations and €3 million (minus €7 million) to discontinued operations. In turn, of the result after tax from continuing operations,

€4,575 million (€2,580 million) relates to the core investment segment and minus €12 million (€50 million) to the portfolio investments segment.

The combined group management report for the fiscal year 2020 forecast a group result after tax of between €2.6 billion and €4.1 billion for the fiscal year 2021. On 29 July 2021, Porsche SE had adjusted its forecast for the group result after tax based on the updated outlook of Volkswagen AG for the fiscal year 2021. The group result after tax was within the adjusted corridor of between €3.4 billion and €4.9 billion.

Other comprehensive income of the Porsche SE Group of €2,421 million (minus €1,234 million) mainly contains effects resulting from the investment in Volkswagen AG accounted for at equity that largely relate to actuarial gains from the remeasurement of pension provisions of €1,302 million (minus €612 million) and to currency translation of €1,072 million (minus €935 million).

The result in the core investment segment was significantly influenced by the investment in Volkswagen accounted for at equity of €4,628 million (€2,651 million). This contains profit contributions from ongoing at equity accounting before purchase price allocations of €4,660 million (€2,614 million) as well as subsequent effects from purchase price allocations of minus €32 million (minus €90 million). In the prior year, the result from equity accounting also included income from the acquisition of further ordinary shares in Volkswagen of €127 million. The increase in the result accounted for at equity is attributable to the positive development in the result at the level of the Volkswagen Group, after the prior year had been more heavily affected by the Covid-19 pandemic (see the section “Results of operations of the Volkswagen Group” below).

Other operating income, personnel expenses, amortization and depreciation and other operating expenses in the core investment segment virtually match the amounts for the group as a whole and have not changed significantly compared to the prior year. As in the prior year, other operating expenses mainly relate to legal and consulting fees.

The financial result of minus €7 million (minus €4 million) primarily contains expenses from expected interest payments for taxes from prior years.

The income tax expense of €3 million (€24 million) comprises an expense from current income taxes of €4 million (income of €0 million) as a result of expected tax backpayments for past fiscal years and income from deferred taxes of €1 million (expense of €25 million).

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


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The result after tax of the portfolio investments segment largely corresponds to its result from investments, which contains income of €5 million (€59 million) and expenses of €22 million (€0 million) from the fair value measurement of portfolio companies as well as the results from investments accounted for at equity of €3 million (minus €9 million).

Financial position of the Porsche SE Group

Net liquidity of the Porsche SE Group, i.e., cash and cash equivalents, time deposits and securities less financial liabilities, increased to €641 million (€563 million) compared to 31 December 2020. This was therefore within the corridor forecast for net liquidity of between €0.4 billion and €0.9 billion.

Cash flow from operating activities amounted to €733 million (€773 million) in the reporting period. This primarily contains the dividend from the investment in Volkswagen AG of €756 million (€756 million). Cash inflow from the prior year also included income tax refunds and any interest accrued thereon.

There was a cash outflow from investing activities of €4 million (€186 million) in the fiscal year 2021. Cash received of €51 million from the sale of some shares in a portfolio company (AEVA Inc.) was counter-balanced by cash paid in connection with, among other things, the acquisition of investments and participation in subsequent financing rounds at existing investments totaling €23 million (€2 million) as well as the investment of time deposits and securities of €30 million (€101 million). The comparative figure for the prior-year period also contained cash paid of €81 million for the acquisition of further ordinary shares in Volkswagen AG.

There was a cash outflow from financing activities totaling €691 million (€680 million) in the reporting period, largely due to dividend payments made to the shareholders of Porsche SE.

Cash and cash equivalents increased to €271 million (€259 million) compared to 31 December 2020 taking into account the deducted cash and cash equivalents from discontinued operations. In addition to that, Porsche SE has at its disposal a credit facility with a volume of €1 billion and a term until July 2025.

Net assets of the Porsche SE Group

Compared to 31 December 2020, the Porsche SE Group's total assets increased by €6.3 billion to €42.5 billion as of 31 December 2021.

The Porsche SE Group's non-current assets of €41.6 billion (€35.6 billion) primarily relate to the investments accounted for at equity. These include in particular the carrying amount of the investment in Volkswagen AG accounted for at equity, which increased by €6.3 billion to €41.5 billion. Of the increase in the carrying amount, €4,660 million is attributable to the result from ongoing equity accounting, minus €32 million to effects from the subsequent measurement of the hidden reserves and liabilities identified and €2,453 million to expenses and income recognized in other comprehensive income. These result primarily from positive effects from the measurement of pensions as well as from currency translation at the level of the Volkswagen Group. By contrast, dividends allocated of minus €756 million as well as proportionate adjustments to equity not recognized through total comprehensive income at the level of the Volkswagen Group of minus €61 million reduced the carrying amount accounted for at equity.

The decrease in non-current other financial assets to €45 million (€88 million) is largely attributable to the sale of some shares in a portfolio company (AEVA Inc.).

Current assets of €960 million (€637 million) mainly consist of assets classified as held for sale, cash and cash equivalents, time deposits and securities.

The reclassification of assets previously allocated to the ITS segment to the item "assets classified as held for sale" relates primarily to intangible assets of €218 million, property, plant and equipment of €32 million, trade receivables of €18 million, other assets of €22 million and cash and cash equivalents of €25 million.

The equity of the Porsche SE Group increased to a total of €42.2 billion (€35.9 billion) due to the positive total comprehensive income as of 31 December 2021; this was counterbalanced – as in the prior year – by dividend payments made to the shareholders of Porsche SE. The equity ratio of 99.2% remained constant compared to the end of the fiscal year 2020.

The reclassification of liabilities previously allocated to the ITS segment to the item "liabilities associated with assets classified as held for sale" relates primarily to financial liabilities of €25 million, other liabilities of €61 million and deferred tax liabilities of €20 million.

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 2021. It should be noted that the group result of Porsche SE only reflects its capital share in the result of the Volkswagen Group in the course of at equity accounting. Furthermore, effects from at equity accounting in the consolidated financial statements of Porsche SE, particularly relating to the subsequent measurement of the hidden reserves and liabilities identified in the course of the purchase price allocations, are not taken into consideration in the explanations below.

Against the backdrop of a global economic recovery and despite the continuing impact of the Covid-19 pandemic, and in particular limited vehicle availability as a result of the semiconductor shortage, the Volkswagen Group generated revenue of €250.2 billion in the fiscal year 2021, 12.3% more than in the prior year, despite the decline in unit sales. Mix effects, better price positioning, and the good business performance of the financial services division and the commercial vehicles business area particularly had a positive impact. The semiconductor shortage and the resulting limited availability of vehicles led to a reduction in vehicle sales. Changes in exchange rates also had a negative effect. At 82.3% (80.8%), most of the revenue was generated abroad. Gross profit increased by €8.3 billion to €47.2 billion. The gross margin went up to 18.9% (17.5%).

The Volkswagen Group's operating result before special items improved by €9.4 billion to €20.0 billion in the reporting period. The operating return on sales before special items increased to 8.0% (4.8%). The rise was mainly attributable to positive mix effects, improved price positioning and positive effects of €2.5 billion (minus €0.1 billion) from the measurement of derivatives to which hedge accounting is not applied (especially commodity hedging derivatives). The good business performance of the financial services division also made a positive contribution. One-off expenses of €0.7 billion for restructuring measures were recognized in the commercial vehicles business area. These primarily include expenses from the sale of the commercial vehicle plant in Steyr, which became effective on 31 August 2021. In addition, incurred expenses of around €0.5 billion in connection with the EU antitrust proceedings against Scania had a negative effect. Special items in connection with the diesel issue weighed on the operating result, reducing this item by minus €0.8 billion (minus €0.9 billion). The Volkswagen Group's operating profit doubled to €19.3 billion (€9.7 billion), resulting in a rise in the operating return on sales to 7.7% (4.3%).

The financial result decreased by €1.1 billion year on year to €0.9 billion. The other financial result included negative effects from forward purchase agreements for new shares in QuantumScape (minus €0.6 billion). In the prior year, the measurement and realization of these forward agreements had led to a non-cash gain of €1.4 billion. Moreover, the share of the result of investments accounted for at equity was down on the prior-year period. This is primarily attributable to the lower profit generated by the Chinese joint ventures, which is again a reflection of the semiconductor shortage and the resulting limited availability of vehicles. The interest expenses included in the financial result increased, due mainly to the interest cost on provisions. In the prior year, changes in share prices had weighed on net income from securities and funds as a result of the Covid-19 pandemic.

The Volkswagen Group's result before tax rose to €20.1 billion (€11.7 billion). The return on sales before tax increased to 8.0% (5.2%). Income taxes resulted in an expense of €4.7 billion (€2.8 billion) in the fiscal year 2021, which in turn led to a tax rate of 23.3% (24.4%). The result after tax went up by €6.6 billion to €15.4 billion.

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

The following explanations of the results of operations, financial position and net assets relate to the separate financial statements of Porsche SE for the fiscal year 2021.

Results of operations

Porsche SE achieved a net profit of €824 million (€703 million) in the fiscal year 2021. The result after tax amounted to €825 million (€703 million).

Other operating expenses of €34 million (€33 million) mainly contain legal and consulting fees of €24 million (€21 million).

In the fiscal year 2021, Porsche SE received a dividend from its investment in Volkswagen AG of €756 million (€756 million).

In the reporting period, profit and loss transfer agreements resulted in a positive effect on the result from investments of €120 million (negative effect of €8 million). This results in particular from reversals of impairment losses on previously impaired shares in PTV and INRIX as well as from proceeds from the sale of some shares in a portfolio investment (AEVA Inc.).

The interest result for the fiscal year 2021 primarily comprises interest expenses for expected tax backpayments for prior years.

Income tax as well as other tax is largely attributable to expected tax backpayments for past fiscal years.

Income statement of Porsche Automobil Holding SE

€ million	**2021**	2020
Revenue	0	0
Other operating income	7	4
Personnel expenses	–15	–15
Other operating expenses	–34	–33
Result from investments	876	748
Interest result	–6	–2
Income tax	–4	0
Result after tax	**825**	**703**
Other tax	–1	0
Net profit	**824**	**703**
Transfer to (-) / withdrawal from (+) retained earnings	–41	–27
Net profit available for distribution	**783**	**676**

Net assets and financial position

Non-current assets of €22,896 million (€22,945 million) primarily contain the investment in Volkswagen AG of €22,512 million (€22,512 million). The decrease in non-current assets is mainly due to the sale of securities classified as non-current assets of €52 million.

Receivables and other assets largely comprise receivables from affiliates from profit/loss transfer.

Cash and cash equivalents contain bank balances including short-term time deposits. The increase in cash and cash equivalents was primarily attributable to the surplus of €80 million from dividend payments received of Volkswagen AG over the dividends paid to shareholders of Porsche SE. This was counterbalanced primarily by cash paid for other operating expenses relating to holding activities.

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

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

Balance sheet of Porsche Automobil Holding SE

€ million	**31/12/2021**	31/12/2020
Assets		
Non-current assets	22,896	22,945
Receivables and other assets	126	1
Marketable securities	145	95
Cash and cash equivalents	463	412
	23,631	**23,453**
Equity and liabilities		
Equity	23,386	23,238
Provisions	108	92
Liabilities	137	123
	23,631	**23,453**

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 significant investment in Volkswagen AG and to the development of the legal proceedings. The risks are described in the section "Opportunities and risks of future development".

Dividends

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

The separate financial statements of Porsche SE as of 31 December 2021 report a net profit available for distribution of €783 million consisting of a net profit of €824 million and a transfer to retained earnings of €41 million. The board of management proposes a resolution for the distribution of a dividend of €2.554 per ordinary share and €2.560 per preference share, i.e., a total distribution of €783 million.

Dependent company report

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

Outlook

We refer to the statements in the section "Anticipated development of the Porsche SE Group", which also in particular reflect the expectations for the parent company. Based on the dividend proposed by the board of management and supervisory board of Volkswagen AG, Porsche SE expects a dividend of €7.50 per Volkswagen ordinary share and €7.56 per Volkswagen preference share for the fiscal year 2021. As a result, dividend income from Volkswagen of €1.2 billion is expected at the level of Porsche SE for the fiscal year 2021, which is likely to have significant impact on the 2022 separate financial statements.


IN RS 3302

Sustainable value enhancement in the Porsche SE Group

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

Before acquiring investments, Porsche SE considers both the non-financial and the financial aspects of the target company. The scope of these investigations depends considerably on the company's business model and market coverage.

In addition to the core investment in Volkswagen, the Porsche SE Group has over the past few years invested in several companies that have significant sustainability aspects anchored in their respective business models. With their software solutions and their data portfolio offered, the PTV Group and INRIX aim to optimize traffic and transport routes, thereby making a significant contribution to reducing the consumption of resources and lowering emissions. The innovative 3D printing solutions of our investments Markforged and Seurat Technologies should allow raw materials to be used more efficiently in development and emissions to be reduced by shortening supply chains.

Separate non-financial group report

The separate non-financial group report of the Porsche SE Group pursuant to Sec. 315b HGB for the fiscal year 2021 can be accessed at the latest by 30 April 2022 in German at www.porsche-se.com/unternehmen/corporate-governance and in English at www.porsche-se.com/en/company/corporate-governance.

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

In the past fiscal year 2021 the results of operations of Porsche SE and the Porsche SE Group were largely characterized by the development of the Volkswagen Group. The result after tax of the Porsche SE Group is higher than the profit corridor forecast in the prior year.

The financial position was influenced to a large extent by dividends received and paid as well as by investments and divestitures relating to the portfolio investments. As of 31 December 2021, net liquidity was within the corridor forecast in the prior year of between €0.4 billion and €0.9 billion.

The board of management of Porsche SE considers the economic situation of the company and its significant investment in Volkswagen AG to be positive also in light of the persistent negative effects from the Covid-19 pandemic as well as disruption caused by the semiconductor shortage. Porsche SE expects the Volkswagen Group to maintain its market position in a persistently challenging environment. The board of management of Porsche SE is still fully committed to the company's role as Volkswagen AG's long-term anchor shareholder and remains convinced of the Volkswagen Group's potential for increasing value added. By providing positive support for a possible initial public offering ("IPO") of Porsche AG, Porsche SE is supporting an expansion of the financial flexibility of Volkswagen AG and, at the same time, an increase in the entrepreneurial opportunities of Porsche AG.

Opportunities and risks of future development

Report on opportunities and risks at the Porsche SE Group

Risk management system of the Porsche SE Group

Overview of the risk management system

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

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

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

The risk management system is designed to ensure that the management of Porsche SE is always informed of significant risk drivers and able to assess the potential impact of the identified risks in order to take suitable 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 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. Even the best risk management system cannot foresee all potential risks and can never completely prevent irregular acts.

Risk management system of Porsche SE

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

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

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


HN R 8012

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 objective instance, reviews on the basis of samples whether operational risk management is firmly embedded in all areas and regularly performed, and reports the audit findings to the supervisory board’s audit committee. 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.

Risk management at the level of the investments

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

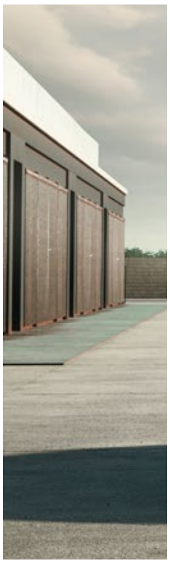
Management of the risks at Volkswagen is located at the level of Volkswagen AG. The task of Volkswagen AG’s risk management is to identify, manage and monitor existing risks at the level of the Volkswagen Group. Volkswagen AG has implemented its own group-wide risk management system and is responsible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

In addition to the investment in Volkswagen 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 non-controlling interests.

Up until the date of deconsolidation (see the section “Significant events and developments at the Porsche SE Group”), the PTV Group had been integrated into the group-wide risk management system of the Porsche SE Group.

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.



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 transmission of the information required for authorizing for issue the separate and consolidated financial statements as well as the combined management report for Porsche SE.

Opportunities and risks of the Porsche SE Group

Organizational risks

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

The risk area “Reporting” relates in particular to internal and external reporting. The IFRS accounting manual of Porsche SE ensures uniform recognition and measurement. Accounting duties are performed by the individual companies included in the consolidated financial statements. The financial statements of the group companies 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 to reflect changes to the legal requirements. 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. Suitable selection processes and regular training measures aim to ensure that employees involved in the accounting process are appropriately qualified.

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

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

With regard to the management of risks from the risk area "compliance", Porsche SE has established a compliance organization, and thus a compliance management system, that is specifically tasked with preventing breaches of laws or other provisions and company-internal guidelines and regulations. In this connection, a compliance council was also set up, which comprises executives from the key departments. In addition to the adjustment of internal guidelines, the compliance council's meetings in the fiscal year 2021 primarily addressed general compliance-relevant regulations.

Risk assessment for organizational risks

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

Entrepreneurial risks

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

Opportunities and risks from investments

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

significant risks from the core investment in Volkswagen AG and from the portfolio investments.

To detect a possible impairment at an early stage with regard to Porsche SE's investments, the company regularly analyzes key figures on the business development of the investment in Volkswagen 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. Non-fulfillment of CO_2-related requirements also constitutes a risk. The Volkswagen Group continues to be exposed to risks from the diesel issue. In 2022, any flare-up of the Covid-19 pandemic, the supply situation, especially for semiconductors, and the Russia-Ukraine conflict may have an adverse effect. The assessment of risks at the level of the Volkswagen investment is generally based on the report on risks and opportunities in the 2021 group management report of Volkswagen AG. With regard to risks from the Russia-Ukraine conflict, please refer to the details provided in the section “Subsequent events”.

As regards the recoverability of the investment in Volkswagen AG, impairment testing was performed in the fiscal year 2021 due to the proportionate market capitalization being below the carrying amount of the investment accounted for at equity. As the impairment test is based on the current planning of the Volkswagen Group, the risks described above of an unexpected development which might lead to an impairment in the value of the investment also exist here. The risk of an impairment loss needing to be recognized through profit or loss is referred to below as the risk area “Impairment Volkswagen”. As part of the impairment test, sensitivity analyses regarding key measurement parameters were performed. As the value in use of the investment in Volkswagen AG was significantly higher than the carrying amount in each of the scenarios considered in the sensitivity analysis, the risk of a need to recognize an impairment loss is considered to be unlikely on the basis of the current information.

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

In connection with the sale of shares in PTV to Bridgepoint (see the section “Significant events and developments at the Porsche SE Group”), the reporting on risks from portfolio investments has been adjusted. Accordingly, the previous risk areas “Impairment risk PTV” and “Result contribution

venture portfolio" were combined into a new risk area "Result contribution portfolio investments". 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 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 allocable proportionately to Porsche SE. In particular, the performance of technology companies in disruptive markets is in general subject to increased uncertainty.

Risks from financial instruments

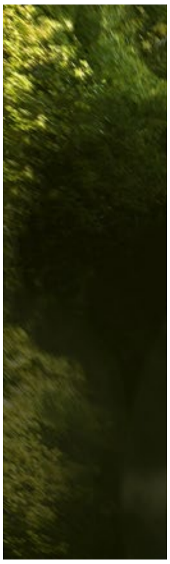
In its business activities Porsche SE is exposed to risks arising from the use of financial instruments. Significant risks resulting from such activities are referred to below as the risk area "Risks from financial instruments". The financial instruments currently used at Porsche SE in particular comprise cash and cash equivalents, time deposits and securities.

The use of financial instruments as part of liquidity management gives rise to counterparty risks. To mitigate the counterparty risks, Porsche SE monitors the creditworthiness of counterparties and spreads the investment of liquidity across various counterparties. With the exception of the market price risks of the portfolio investments measured at fair value presented in the section on opportunities and risks from investments, further risks from using financial instruments are currently classified as insignificant for Porsche SE.

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 2021, 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 ongoing proceedings. The company believes that thus far these risks have not had a sustained effect on the economic position of the group. However, due to the fact that the outcome of litigation can be



estimated only to a limited degree, it cannot be ruled out that very serious losses may eventuate that are not covered by the provisions already made, which would result in a correspondingly negative impact on the result and liquidity.

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

Tax opportunities and risks

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

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

During the assessment periods 2006 to 2009, Porsche SE was initially the legal successor of Porsche AG and later the ultimate tax parent and thus liable for tax payments. As part of the contribution of the business operations, Volkswagen AG agreed to refund to Porsche SE any tax benefits – for example, in the form of a refund, tax reduction or tax saving, a reversal of tax liabilities or provisions or an increase in tax losses – of Porsche Holding Stuttgart GmbH, Porsche AG and its legal predecessors and subsidiaries which pertain to assessment periods up to 31 July 2009. In return, under certain circumstances Porsche SE holds Porsche Holding Stuttgart GmbH, Porsche AG and their legal predecessors harmless from tax disadvantages that exceed the obligations from periods up until and including 31 July 2009 recognized at the level of these entities. If the total tax benefits exceed the total tax disadvantages, Porsche SE has a claim against Volkswagen AG to payment of the amount by which the tax benefits exceed the tax disadvantages. The amount of tax benefits and tax disadvantages to be taken into account is regulated in the contribution agreement. The risks arising at the level of Porsche SE, for which provisions were recognized in prior years and payments were made, will in some cases lead to tax benefits at the Volkswagen Group that are expected to partly compensate the tax risks of Porsche SE. However, the provisions in the contribution agreement do not cover all matters and thus not all tax risks of Porsche SE from the tax field audits for the assessment periods 2006 to 2009. The

existence and amount of a possible reimbursement claim against Volkswagen AG can be reliably determined only following completion of the tax field audit for the assessment period 2009. Based on the findings of the completed tax field audit for the assessment periods 2006 to 2008 and the information available for the assessment period 2009 when these financial statements were prepared, it is estimated that Porsche SE has a compensation claim against Volkswagen AG in the low triple-digit million-euro range. Future findings and legal changes may lead to an increase or decrease in the possible compensation claim.

Risk assessment for entrepreneurial risks

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

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

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

The risk assessment of the significant entrepreneurial risks of the Porsche SE Group using the risk categories remains unchanged compared to the prior year. With regard to the reporting on risks from portfolio investments, the risk areas “Result contribution venture portfolio” and “Impairment risk PTV” were combined into the risk area “Result contribution portfolio investments”, which is estimated to have a low potential impact and a moderate likelihood of occurrence. As of the reporting date, the risk assessment is as follows:

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

Potential impact (with regard to the forecast corridor)	unlikely	moderately likely	highly likely
high	• Dividend inflow Volkswagen • Impairment risk Volkswagen • Tax risks • Legal risks	• Result contribution Volkswagen	
moderate	• Risks from financial instruments		
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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Report on opportunities and risks of the Volkswagen Group

Risk management system of the Volkswagen Group

In this section, the objective and structure of the Volkswagen Group's risk management system (RMS) and internal control system (ICS) are explained and its systems described with regard to the financial reporting process. Volkswagen AG has implemented its own group-wide risk management system and is responsible for handling its own risks. The following is based on extracts from the Report on Risks and Opportunities in the 2021 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 the Volkswagen Group ensure its long-term success. The aim of the RMS/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/ICS is based on the internationally recognized COSO framework for enterprise risk management (COSO: Committee of Sponsoring Organizations of the Treadway Commission). Structuring the RMS/ICS in accordance with the COSO framework for enterprise risk management ensures 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/ICS processes.

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

The minimum requirements for the RMS/ICS, including the three lines model, are set out in guidelines for the entire Volkswagen Group.

Following completion of the implementation of the “Riskradar” risk management IT system in 2020 and of the standardization of the ICS for business processes associated with risk at significant companies, Volkswagen’s RMS/ICS will continue to be developed in future.

First line: Operational risk management

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

Second line: Group-wide standardized quarterly risk identification and reporting

Each quarter, in addition to the ongoing operational risk management, the Volkswagen Group’s risk management department sends standardized surveys regarding the risk situation and the implementation of countermeasures to all group brands, to significant group companies and to Volkswagen Financial Services AG and Volkswagen Bank GmbH.

Acute risks for the Volkswagen Group are reported in this survey of the risk situation – the quarterly risk process (QRP). The responses are used to update the picture of the potential risk situation. The assessment of risks from the QRP is conducted in the “Riskradar” IT system.

The methodology for aggregating risks and assessing the Volkswagen Group’s risk-bearing capacity was developed further in 2021. The aggregated risk situation and risk-bearing capacity are compared at half-yearly intervals. There were no indications of insufficient risk-bearing capacity at the Volkswagen Group in the fiscal year 2021.

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).

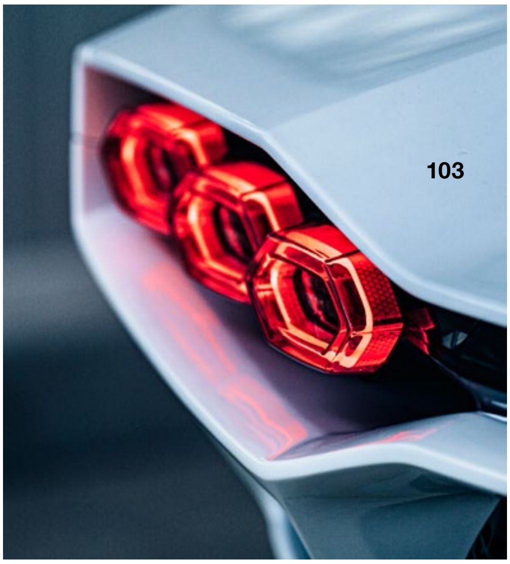
The score for a likelihood of occurrence of more than 50% in the analysis period is classified as high; for a medium classification, the likelihood of occurrence is at least 25%. For the criterion of financial loss, the score rises in line with the loss; the highest score of 10 is reached when the potential 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 influence on the local company, the brand or the group.

Calculation of risk score

Risk score

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

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



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

Risk reporting to the committees of Volkswagen AG depends on materiality thresholds. Acute risks from a risk score of 40 or potential financial loss of €1 billion or more are regularly presented to the board of management and the audit committee of the supervisory board of Volkswagen AG. The reporting also 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 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 developed a standardized ICS that goes significantly beyond the requirements for the ICS posed by financial reporting. In 22 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, their content addresses process risks in development, production or compliance.

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

In terms of its content and organizational aspects, the standardized ICS of the Volkswagen Group thus offers broader protection than the regular governance, risk and compliance (GRC) process used in the past. With the introduction of the standardized ICS in further Volkswagen Group companies in 2021, the regular GRC process is being gradually shut down.

A separate Group Board of Management Committee for Risk Management examines the key aspects of the RMS/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 explain specific issues where these constitute a significant risk to the Volkswagen Group,
- to make recommendations on the further development of the RMS/ICS,
- to support the open approach to dealing with risks and promote an open risk culture.

Third line:
Review by Group Internal Audit

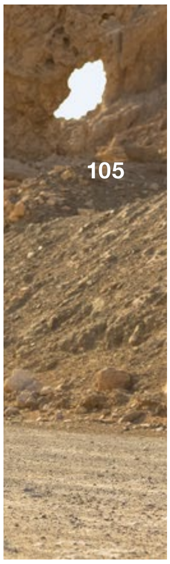
Group Internal Audit helps Volkswagen AG's board of management to monitor the various divisions and corporate units within the Volkswagen Group. It regularly checks the risk early warning system and the structure and implementation of the RMS/ICS and compliance management system (CMS) as part of its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

Risk early warning system at Volkswagen

The risk situation of the Volkswagen Group is ascertained, assessed and documented in accordance with the legal requirements. The requirements for a risk early warning system are met by means of the RMS/ICS elements described above (first and second line). Independently of this, the external auditors of Volkswagen AG checks 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 together with the external auditors. The auditor of Volkswagen AG examines the risk early warning system integrated in the risk management system of the Volkswagen Group with respect to its fundamental suitability of 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 systems in accordance with Sec. 317(4) HGB.

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

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



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

To ensure the effectiveness of the RMS/ICS of the Volkswagen Group, Volkswagen regularly optimizes it as part of its continuous monitoring and improvement processes. In the process, it gives equal consideration to both internal and external requirements. External experts assist in the continuous enhancement of the RMS/ICS on a case-by-case basis. The results culminate in regular reporting to the board of management and supervisory board of Volkswagen AG.

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

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

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

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

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

Control activities at group level include analyzing and, if necessary, adjusting the data reported in the

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

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

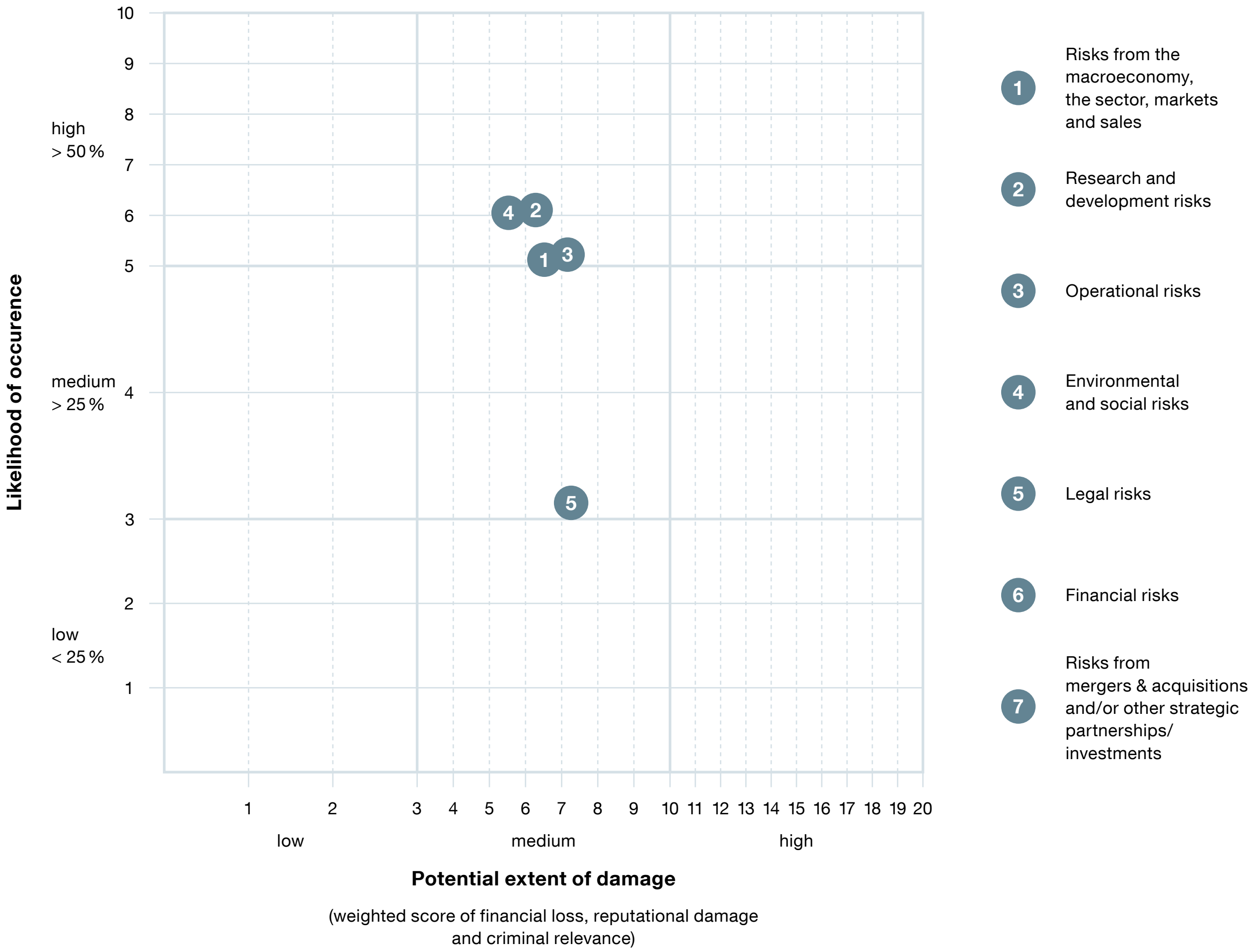
The combined management report of the Volkswagen Group and Volkswagen AG is prepared – in accordance with the applicable requirements and regulations – centrally but with the involvement of and in consultation with the group units and companies.

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

Integrated consolidation and planning system

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

Average scores of the risk categories



Opportunities and risks of the Volkswagen Group

This section outlines the main risks and opportunities arising in the business activities of the Volkswagen Group from the Volkswagen Group's perspective. In order to provide a better overview, the risks and opportunities have been grouped into categories. At the beginning of each risk category, the most significant risks are stated in order of their importance as identified by Volkswagen using the risk score from the quarterly risk process (QRP).

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

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

Risk categories at the Volkswagen Group

The category "Risks and opportunities from the macroeconomy, the sector, markets and sales" summarizes macroeconomic risks and opportunities, sector-specific risks and market opportunities/potential, sales risks, risks from the Russia-Ukraine conflict as well as other factors. Under risks from the Russia-Ukraine conflict, Volkswagen describes the risk that the latest developments in the Russia-Ukraine conflict will have a negative impact on the Volkswagen Group's business. Under other factors, Volkswagen describes the risk in particular that the Covid-19 pandemic could intensify, due to reasons such as changes in the virus. All areas of the Volkswagen Group are affected by the pandemic. For this risk category, the likelihood of occurrence is classified as high (prior year: high) and the potential extent of damage is classified as medium (prior year: medium) by Volkswagen. From the Volkswagen Group's perspective, the most significant risks from the QRP in this category lie in restrictions on trade and increasingly protectionist tendencies resulting in a negative trend in markets and unit sales.

The category "Research and development risks" contains risks arising from research and

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

“Operational risks and opportunities” summarizes risks from particular events in the Volkswagen Group’s purchasing and production network, risks and opportunities from Purchasing and Technology, production risks, risks arising from long-term production, quality risks, IT risks and risks from media impact. Risks from particular events in the Volkswagen Group’s purchasing and production network currently describes in particular the risk that the current spread of the SARS-CoV-2 virus or the current conflict between Russia and Ukraine may result in supply risks in purchasing and significantly impair production. As a consequence, bottlenecks or even outages in production may occur at Volkswagen, thus preventing the planned volume of production from being achieved. For this risk category, the likelihood of occurrence is classified as high (prior year: high) and the potential extent of damage is classified as medium (prior year: medium) by Volkswagen. The most significant risks from the QRP lie particularly in volatile procurement markets, here primarily in relation to the availability of semiconductors, as well as cyber security and new regulatory requirements regarding IT, and in quality problems.

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

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

In the category “Financial risks”, the Volkswagen Group includes financial risks, risks arising from financial instruments, liquidity risks as well as risks and opportunities in the financial services business. No risks with a score of 20 or more were reported by Volkswagen for this risk category in the reporting year. For this risk category, the likelihood of occurrence was classified as high and the potential extent of damage as medium in the prior year.

Under “Opportunities and risks from mergers and acquisitions and/or other strategic partnerships/ investments”, the Volkswagen Group summarizes opportunities and risks from partnerships, risks arising from the recoverability of goodwill or brand names and from equity investments as well as risks from the disposal of equity investments. No risks with a score of 20 or more were reported by Volkswagen for this risk category in the reporting year. For this risk category, the likelihood of occurrence was classified as medium and the potential extent of damage as high in the prior year.

Volkswagen AG's risk assessment regarding the diesel issue

An amount of around €2.1 billion (€1.9 billion) has been included in the provisions of the Volkswagen Group for litigation and legal risks as of 31 December 2021 to account for the legal risks currently known to the Volkswagen Group related to the diesel issue based on the presently available information and the current assessments of Volkswagen. Where adequately measurable at this stage, contingent liabilities relating to the diesel issue have been disclosed in the notes of the Volkswagen Group in an aggregate amount of €4.3 billion (€4.2 billion), whereby roughly €3.6 billion (€3.5 billion) of this amount results from lawsuits filed by investors in Germany. The provisions recognized at the Volkswagen Group, the contingent liabilities disclosed, and the other latent legal risks in the context of the diesel issue are in part subject to substantial estimation risks given the complexity of the individual relevant factors, the ongoing coordination with the authorities, and the fact that the fact-finding efforts have not yet been concluded. Should these legal or estimation risks materialize, this could result in further substantial financial charges. In particular, adjustment of the provisions recognized by Volkswagen in light of knowledge acquired or events occurring in the future cannot be ruled out.

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

Overall assessment of the risk and opportunity position of the Volkswagen Group

The Volkswagen Group's overall risk and opportunity position results from the specific risks and opportunities shown above. Volkswagen has put in place a comprehensive risk management system to ensure that these risks are controlled. The most significant risks to the Volkswagen Group across all risk categories arise from a negative trend in markets and unit sales, with regard to quality and cyber security, and from an inability to develop products in line with demand and requirements, especially in view of e-mobility and digitalization. Non-fulfillment of CO_2-related requirements also constitutes a risk. The Volkswagen Group continues to be exposed to risks from the diesel issue. In 2022, any flare-up of the Covid-19 pandemic, the supply situation, especially for semiconductors, and the Russia-Ukraine conflict may have an adverse effect. Taking into account all the information known to the Volkswagen Group at present, no risks exist which could pose a threat to the continued existence of significant group companies or the Volkswagen Group.

Publication of the declaration of compliance

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

Subsequent events

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

According to the current status of the talks, in the event of an IPO, the share capital of Porsche AG would be divided into 50% preference shares and 50% ordinary shares and, in the course of a possible IPO, approximately 25% of the preference shares would be placed on the capital market. In connection with a possible IPO, Porsche SE would acquire 25% plus one share of the ordinary shares of Porsche AG from Volkswagen AG for the placement price of the preference shares plus an additional premium of 7.5%. With the positive support of a possible IPO of Porsche AG, Porsche SE is supporting the plans of Volkswagen AG to expand the financial flexibility of Volkswagen AG and increase the entrepreneurial opportunities of Porsche AG. Volkswagen AG would still include Porsche AG in its consolidated financial statements by way of full consolidation following the implementation of an IPO, while in the future Porsche SE would include the shares in Porsche AG in the consolidated financial statements of Porsche SE as associates at equity. It is also planned to continue the industrial cooperation between Volkswagen AG and Porsche AG even after a possible IPO.

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

At the time of preparing the consolidated financial statements, there is a risk that the latest developments in the Russia-Ukraine conflict will have a negative impact on the business activities of the Volkswagen Group and thus also indirectly on the Porsche SE Group. This may also result from bottlenecks in the supply chain. At the present time, it is not yet possible to conclusively assess the specific effects. Nor is it possible at this stage to predict with sufficient certainty to what extent further escalation of the Russia-Ukraine conflict will impact on the global economy and industry growth in the fiscal year 2022. The Volkswagen Group does not have any material subsidiaries and equity investments in Ukraine. In Russia, the Volkswagen Group has in particular the production company at the Kaluga site, as well as sales units and financing companies. Against the background of the Russian attack on Ukraine and the resulting consequences,

Volkswagen’s board of management has decided to suspend vehicle production in Russia until further notice. Vehicle exports to Russia have also been stopped, although original parts are still being delivered. With the extensive interruption of business activities in Russia, Volkswagen’s board of management is reviewing the consequences from the overall situation, during this period of great uncertainty and upheaval. In terms of the Volkswagen Group’s results of operations, financial position and net assets, the business activities of the Volkswagen Group in these two countries are insignificant. There is a risk that a further escalation of the conflict could have a material adverse effect on the results of operations, financial position and net assets of the Volkswagen Group and thus also indirectly on the Porsche SE Group.

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

Forecast report and outlook

Developments in the global economy

The planning is based on the assumption that global economic output will continue to grow in 2022, albeit at a somewhat lower level overall, after the recovery observed in the past fiscal year – provided that the Covid-19 pandemic does not flare up again and that shortages of intermediates and commodities become less intense. It continues to believe that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects will be negatively impacted by ongoing geopolitical tensions and conflicts, with risks arising especially from the Russia-Ukraine conflict.

It is assumed that both the advanced economies and the emerging markets will experience positive momentum.

For 2022, planning anticipates that the euro will strengthen somewhat against the currencies that are key for the Volkswagen Group. The currencies of some emerging markets are expected to depreciate further. The Russia-Ukraine conflict may lead to increased volatility on the foreign exchange markets; additional pressure on the Russian currency is also expected.

With monetary policy remaining relatively expansionary, a gradual departure from the existing measures of the central banks in the major Western industrialized nations is expected in 2022. Changes in key interest rates will depend to a considerable extent on inflationary trends in the individual countries. Whether the higher inflation rates currently being seen in many countries are judged to be temporary or lasting will be crucial here. Base effects resulting from the Covid-19 pandemic and disruption to supply chains could be seen as grounds to assume that they are a temporary phenomenon.

With regard to the commodity markets, the prices of most commodities to are expected continue to increase in 2022. There is a risk that this will be exacerbated as a result of the Russia-Ukraine conflict.

Trends in the markets for passenger cars and light commercial vehicles

It is predicted that trends in the markets for passenger cars in the individual regions will be mixed in 2022. Overall, the global volume of new vehicle sales is expected to be moderately up on the prior year without reaching the pre-pandemic level. This prediction assumes that the Covid-19 pandemic does not flare up again and that shortages of intermediates, especially semiconductors, and commodities become less intense.

Trends in the markets for light commercial vehicles in the individual regions will also be mixed; on the whole, a slight increase in the sales volume is anticipated for 2022. This assumes that the Covid-19 pandemic does not flare up again and that shortages of intermediates, especially semiconductors, and commodities become less intense.

Trends in the markets for commercial vehicles

For 2022, a significantly positive development is expected in new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes compared with the prior year, with variations from region to region, in the markets that are relevant for the Volkswagen Group. A significant increase in overall demand, with regional variations, is expected for 2022 in the bus markets relevant for the Volkswagen Group.

Trends in the markets for financial services

It is anticipated that automotive financial services will prove highly important to global vehicle sales in 2022, particularly in the context of the ongoing challenges posed by the Covid-19 pandemic and limited vehicle availability as a result of the semiconductor shortage. Demand is expected to rise in emerging markets where market penetration has so far been low. Regions with already established automotive financial services markets will probably see a continuation of the trend towards enabling mobility at the lowest possible total cost. Integrated end-to-end solutions, which include mobility-related service modules such as insurance and innovative packages of services, are likely to become increasingly important for this. Additionally, it is expected that demand will increase for new forms of mobility, such as rental and car subscription (Auto-Abo) services, and for integrated mobility services, for example parking, refueling and charging, and that the shift initiated in the European financial services business with individual customers from financing to lease contracts will continue.

In the mid-sized and heavy commercial vehicles category, rising demand is anticipated 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, increased demand is expected for telematics services and services aimed at reducing total cost of ownership in 2022.

Anticipated development of the Volkswagen Group

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

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

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

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

Volkswagen expects the revenue of the Volkswagen Group and of the passenger cars business area in 2022 to be 8% to 13% higher than the prior-year figure. In terms of operating result for the group and the passenger cars business area, Volkswagen forecasts an operating return on sales in the range of 7.0% to 8.5% in 2022. For the commercial vehicles business area, it anticipates an operating return on sales of 5.0% to 7.0% amid a strong year-on-year increase in revenue, including Navistar. For the financial services division, Volkswagen forecasts that revenue will be noticeably higher than the prior-year figure and that the operating result will be around €4.5 billion.

Anticipated development of the Porsche SE Group

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

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

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

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

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

As of 31 December 2021, the Porsche SE Group had net liquidity of €641 million. As of 31 December 2022, the goal of the Porsche SE Group is to achieve positive net liquidity. This is expected to be between €0.6 billion and €1.1 billion.

The earnings forecast as well as the net liquidity forecast is based on the current structure of the Porsche SE Group. Effects from future investments and divestitures are not taken into account. The forecast therefore contains in particular no effects from a potential IPO of Porsche AG and any related acquisition of ordinary shares in Porsche AG by Porsche SE (please refer to the details provided in the section "Subsequent events").

Stuttgart, 16 March 2022
Porsche Automobil Holding SE

The board of management

Glossary

Glossary

Selected terms at a glance

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

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

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

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

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

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

Financials

3 Financials

Consolidated income statement
of Porsche Automobil Holding SE for the period from 1 January to 31 December 2021

€ million	Note	2021	2020 adjusted	2020
Result from investments accounted for at equity	[1]	4,631	2,642	2,642
Income from investment valuation	[2]	5	59	
Expenses from investment valuation	[2]	–22		
Result from investments		**4,615**	**2,700**	**2,642**
Other operating income		6	4	4
Personnel expenses	[3]	–15	–13	–13
Amortization and depreciation		–1	–1	–1
Other operating expenses	[4]	–32	–32	–32
Result before financial result		**4,572**	**2,658**	**2,600**
Finance costs		–6	–3	–3
Other financial result		–1	–1	57
Financial result	**[5]**	**–7**	**–4**	**55**
Result before tax		**4,565**	**2,654**	**2,654**
Income tax	[6]	–3	–24	–24
Result after tax from continuing operations		**4,563**	**2,630**	**2,630**
Result after tax from discontinued operations	[16]	3	–7	–7
Result after tax		**4,566**	**2,624**	**2,624**
thereof attributable to				
shareholders of Porsche SE		4,566	2,623	2,623
non-controlling interests		0	0	0
Earnings per ordinary share (basic and diluted) from continuing operations	[11]	14.90	8.59	8.59
Earnings per ordinary share (basic and diluted) from discontinued operations	[11]	0.01	–0.02	–0.02
Earnings per preference share (basic and diluted) from continuing operations	[11]	14.90	8.59	8.59
Earnings per preference share (basic and diluted) from discontinued operations	[11]	0.01	–0.02	–0.02

Consolidated statement of comprehensive income of Porsche Automobil Holding SE for the period from 1 January to 31 December 2021

€ million	2021	2020
Result after tax	**4,566**	**2,624**
Remeasurements of pensions	7	–4
Deferred tax on remeasurements of pensions	–2	1
Other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity (before tax)	1,724	–882
Deferred tax on other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity	–426	283
Deferred tax not to be reclassified to profit or loss in subsequent periods on investments accounted for at equity	–20	9
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods	1,283	–593
Currency translation	0	1
Other comprehensive income to be reclassified to profit or loss in subsequent periods from investments accounted for at equity (before tax)	928	–437
Deferred tax on other comprehensive income to be reclassified to profit or loss in subsequent periods from investments accounted for at equity	228	–215
Deferred tax to be reclassified to profit or loss in subsequent periods on investments accounted for at equity	–18	10
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	1,138	–641
Other comprehensive income after tax	**2,421**	**–1,234**
Total comprehensive income	**6,986**	**1,389**
thereof attributable to		
shareholders of Porsche SE	6,986	1,389
from continuing operations	6,984	1,395
from discontinued operations	3	–6
non-controlling interests	0	0

Consolidated balance sheet of Porsche Automobil Holding SE as of 31 December 2021

€ million	Note	**31/12/2021**	31/12/2020
Assets			
Intangible assets	[7]	0	227
Property, plant and equipment	[7]	1	34
Investments accounted for at equity	[8]	41,527	35,259
Other financial assets	[9], [19]	45	88
Other assets	[10]	1	2
Deferred tax assets	[6]		3
Non-current assets		**41,574**	**35,614**
Inventories			5
Trade receivables	[19]		18
Other financial assets	[9], [19]	1	4
Other assets	[10]	1	8
Income tax receivables	[6]	0	2
Securities	[19]	145	143
Time deposits	[19]	225	197
Cash and cash equivalents	[19]	271	259
Assets classified as held for sale	[16]	316	
Current assets		**960**	**637**
		42,533	**36,250**

€ million	Note	**31/12/2021**	31/12/2020
Equity and liabilities			
Subscribed capital	[11]	306	306
Capital reserves	[11]	4,884	4,884
Retained earnings	[11]	40,219	36,330
Other reserves (OCI)	[11]	−3,214	−5,576
Equity attributable to shareholders of Porsche SE		42,196	35,945
Non-controlling interests		1	1
Equity		**42,196**	**35,946**
Provisions for pensions and similar obligations	[12]	42	51
Other provisions	[13]	30	25
Financial liabilities	[14], [19]	0	23
Other financial liabilities	[19]		0
Other liabilities	[15]		0
Deferred tax liabilities	[6]	116	100
Non-current liabilities		**188**	**200**
Provisions for pensions and similar obligations	[12]	1	1
Other provisions	[13]	31	34
Trade payables	[19]	2	5
Financial liabilities	[14], [19]	0	14
Other financial liabilities	[19]	3	12
Other liabilities	[15]	4	37
Income tax liabilities			1
Liabilities associated with assets classified as held for sale	[16]	109	
Current liabilities		**149**	**105**
		42,533	**36,250**

Consolidated statement of changes in equity of Porsche Automobil Holding SE for the period from 1 January to 31 December 2021

€ million	Equity attributable to the shareholders of Porsche SE						
	Subscribed capital	Capital reserves	Retained earnings	Other reserves (OCI)	Total	Non-controlling interests	Total equity
As of 1 January 2020	306	4,884	34,492	–4,399	35,283	1	35,284
Result after tax			2,623		2,623	0	2,624
Other comprehensive income after tax				–1,234	–1,234		–1,234
Total comprehensive income			2,623	–1,234	1,389	0	1,389
Dividends			–676		–676	0	–676
Other changes in equity arising from the level of investments accounted for at equity			–109	58	–51		–51
As of 31 December 2020	**306**	**4,884**	**36,330**	**–5,576**	**35,945**	**1**	**35,946**
As of 1 January 2021	306	4,884	36,330	–5,576	35,945	1	35,946
Result after tax			4,566		4,566	0	4,566
Other comprehensive income after tax				2,421	2,421		2,421
Total comprehensive income			4,566	2,421	6,986	0	6,986
Dividends			–676		–676	0	–676
Reclassifications			0		0	0	0
Other changes in equity arising from the level of investments accounted for at equity			0	–59	–60		–60
As of 31 December 2021	**306**	**4,884**	**40,219**	**–3,214**	**42,196**	**1**	**42,196**

Equity is explained in note [11].

Consolidated statement of cash flows
of Porsche Automobil Holding SE for the period from 1 January to 31 December 2021

€ million	**2021**	2020
1. Operating activities		
Result after tax	4,566	2,624
Result after tax from discontinued operations	–3	7
Result from investments	–4,615	–2,700
Amortization and depreciation	1	1
Interest expenses	6	3
Interest income	0	–1
Income tax expense	3	24
Other non-cash expenses (+) and income (-)	3	–1
Change in other assets	–2	1
Change in provisions for pensions	0	0
Change in other provisions	8	–3
Change in other liabilities	–4	2
Dividends received	756	756
Interest paid	–1	–2
Interest received	1	17
Income tax paid	–4	0
Income tax received		33
Cash flow from operating activities from continuing operations	**713**	**758**
Cash flow from operating activities from discontinued operations	20	15
Cash flow from operating activities	**733**	**773**
2. Investing activities		
Cash paid for the acquisition of shares in investments accounted for at equity		–81
Cash paid for the acquisition of other shares in entities	–23	–2
Cash received from the disposal of other shares in entities	51	
Change in investments in securities	–3	3
Change in investments in time deposits	–28	–104
Cash flow from investing activities from continuing operations	**–3**	**–184**
Cash flow from investing activities from discontinued operations	–1	–2
Cash flow from investing activities	**–4**	**–186**

€ million	2021	2020
3. Financing activities		
Dividends paid to shareholders of Porsche SE	–676	–676
Cash paid for settlement of financial liabilities	–1	–1
Cash flow from financing activities from continuing operations	**–677**	**–677**
Cash flow from financing activities from discontinued operations	–15	–4
Cash flow from financing activities	**–691**	**–680**
4. Cash and cash equivalents		
Cash and cash equivalents as of 1 January	259	353
Change in cash and cash equivalents (subtotal of 1 to 3)	37	–93
Less cash and cash equivalents from discontinued operations	–25	
Cash and cash equivalents as of 31 December	**271**	**259**

Note [17] contains further explanations on the consolidated statement of cash flows.

Notes to the consolidated financial statements of Porsche Automobil Holding SE for the fiscal year 2021

Basis of presentation

Porsche Automobil Holding SE ("Porsche SE" or the "company"), as the ultimate parent of the Porsche SE Group, is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. The company is registered at the Stuttgart Local Court under HRB 724512.

The purpose of the company includes in particular the acquisition, holding and administration 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.

In particular, Porsche SE holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft, Wolfsburg ("Volkswagen AG" or "Volkswagen"). It also holds non-controlling interests in technology companies ("portfolio investments"). Until they were transferred in January 2022, Porsche SE also indirectly held all shares in PTV Planung Transport Verkehr GmbH, Karlsruhe (formerly PTV Planung Transport Verkehr AG, Karlsruhe) ("PTV"); for further details see section "Changes in the reporting period".

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

The consolidated financial statements of Porsche SE are prepared in accordance with Sec. 315e HGB ["Handelsgesetzbuch": German Commercial Code] and are in compliance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union as well as the additional requirements of German commercial law. For the reports and disclosures on the changes to the voting interest in Porsche SE pursuant to the WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act], reference is made to the separate financial statements of Porsche SE prepared in accordance with the HGB.

The fiscal year of the Porsche SE Group covers the period from 1 January to 31 December of a year.

The group's presentation currency is the euro. Unless otherwise stated, all figures are presented in millions of euro (€ million). All figures and percentages are rounded according to customary business practice, so minor discrepancies may arise from the addition of these amounts. Amounts smaller than €0.5 million are stated at zero. The comparative prior-year figures are presented in parentheses alongside the figures for the current reporting period.

The income statement has been prepared using the nature of expense method.

The consolidated financial statements and the combined management report of Porsche SE were authorized for submission to the supervisory board by the board of management by resolution dated 16 March 2022. The period subsequent to the reporting date for which adjusting events can be disclosed ends on that date.

List of shareholdings of the group as of 31 December 2021

	Share in capital as of 31/12/2021	Currency	FX rate 1 € =	Equity in local currency	Result in local currency
	%			thousand	thousand
Fully consolidated entities					
Germany					
Porsche Beteiligung GmbH, Stuttgart	100.0	EUR	-	42,786	0[1]
Porsche Zweite Beteiligung GmbH, Stuttgart	100.0	EUR	-	315,025	0[1]
Porsche Dritte Beteiligung GmbH, Stuttgart	100.0	EUR	-	25,625	0[1]
Porsche Vierte Beteiligung GmbH, Stuttgart	100.0	EUR	-	24	0[1]
PTV Planung Transport Verkehr GmbH, Karlsruhe	100.0	EUR	-	24,077	5,947
PTV Transport Consult GmbH, Karlsruhe	100.0	EUR	-	2,683	1,057
TransportTechnologie-Consult Karlsruhe GmbH (TTK), Karlsruhe	51.0	EUR	-	1,255	35
International					
PTV Africa (Pty) Ltd., Johannesburg	100.0	ZAR	18.0532	3,279	765
PTV America Holding Inc., Arlington, Virginia	100.0	USD	1.1320	−2,525	−16
PTV America Inc., Arlington, Virginia	100.0	USD	1.1320	−3,326	216
PTV América Latina, S.A. de C.V., Mexico City	100.0	MXN	23.1418	3,350	72
PTV Asia-Pacific Pte, Ltd., Singapore	100.0	SGD	1.5281	2,468	221
PTV Asia-Pacific Pty, Ltd., Sydney	100.0	AUD	1.5612	−922	301
PTV Austria Planung Transport Verkehr GmbH, Vienna	100.0	EUR	-	949	665
PTV België B.V.B.A., Mechelen	100.0	EUR	-	106	35
PTV CEE Sp. z o.o., Warsaw	100.0	PLN	4.5943	3,278	2,717
PTV Distribution Planning Software Ltd., Halesowen[2]	100.0	GBP	0.8400	0	64
PTV do Brasil Ltda., São Paulo	100.0	BRL	6.3068	−628	−75
PTV France SAS, Paris	100.0	EUR	-	2,598	759
PTV Italia Logistics S.r.l., Perugia	100.0	EUR	-	1,313	703
PTV Japan Ltd., Tokyo	100.0	JPY	130.3200	18,352	14,922
PTV MENA Region DMCC, Dubai	100.0	AED	4.1579	−16,482	1,952
PTV MENA Region W.L.L., Doha	49.0	QAR	4.1217	2,784	1,228
PTV Nederland B.V., Utrecht	100.0	EUR	-	2,779	2,270
PTV Nordics AB, Gothenburg	100.0	SEK	10.2548	7,781	2,491
PTV Software Technology (Shanghai) Co., Ltd., Shanghai	100.0	CNY	7.1870	7,563	2,764
PTV Traffic Technology (Shanghai) Co., Ltd., Shanghai	100.0	CNY	7.1870	1,566	−165
PTV Traffic and Transportation Software, S.L., Barcelona	100.0	EUR	-	8	19

	Share in capital as of 31/12/2021	Currency	FX rate 1 € =	Equity in local currency	Result in local currency
	%			thousand	thousand
Fully consolidated entities					
International					
PTV Transworld Holding B.V., Utrecht	100.0	EUR	-	293	–4
PTV UK Ltd., Halesowen	100.0	GBP	0.8400	1,982	979
PTV UK Holding Ltd., Halesowen[2]	100.0	GBP	0.8400	0	181
SISTeMA - Soluzioni per l´Ingegneria dei Sistemi di Trasporto e l´infoMobilitA' S.r.l., Rome	100.0	EUR	-	1,790	745
Associates					
Germany					
Volkswagen Aktiengesellschaft, Wolfsburg	31.4[3]	EUR	-	41,171,951	4,041,489
European Center for Information and Communication Technologies - EICT GmbH, Berlin[4]	20.0	EUR	-	1,711	176
Bahn.Elektro.Planung. GmbH (B.E.P.), Karlsruhe	49.0	EUR	-	–29	–117
International					
INRIX Inc., Kirkland, Washington[5]	11.6	USD	1.1320	–142,444	–1,436
Mygistics Inc., Kansas City, Missouri[6]	30.0	USD	1.1320		

1 Profit and loss transfer agreement with Porsche SE
2 In liquidation
3 Diverging from the capital share, the share in voting rights is 53.3% as of the reporting date.
4 Figures taken from the financial statements as of 31 December 2020
5 Consolidated figures taken from the 2020 consolidated financial statements of INRIX Inc.: INRIX is an associate because Porsche SE has the power to significantly influence its financial and operating policy decisions through participation rights granted on the board of directors and related committees.
6 Currently no business activities

There were no significant changes in the scope of consolidation or in the associates. The shares in the alternative investment fund fully consolidated in the prior year were returned in the fiscal year 2021. Furthermore, one domestic and two foreign subsidiaries as well as one associate based abroad were no longer included in the list of shareholdings compared to the prior year.

Porsche Beteiligung GmbH, Porsche Zweite Beteiligung GmbH, Porsche Dritte Beteiligung GmbH and Porsche Vierte Beteiligung GmbH satisfied the conditions of Sec. 264 (3) HGB and make use of the exemption from the requirement to publish financial statements.

Changes in the reporting period

In October 2021, Bridgepoint Advisers Limited, London, UK (“Bridgepoint”), and Porsche SE entered into a partnership to advance the development of PTV. As a result of this partnership, Porsche SE sees a further significant increase in the potential for value development at PTV and hopes to participate in this significantly through its remaining share in the company. Once all closing conditions in this connection had been met on 6 January 2022, all shares in PTV were transferred to a subsidiary of European Transport Solutions S.à r.l., Luxembourg, Luxembourg (“European Transport Solutions”), effective 31 January 2022. At the same time, Porsche SE for its part acquired a 40% stake in European Transport Solutions. The purchase price for the acquisition of these shares was paid in a non-cash transaction by transferring part of the purchase price receivable from the sale of the shares in PTV.

Until 30 September 2021, the business of PTV had formed the business segment “Intelligent Transport Systems” (“ITS”). Due the sale of shares in PTV to Bridgepoint, Porsche SE has classified the ITS segment as a discontinued operation as defined by IFRS 5 since 30 September 2021. As a result, the income and expenses previously allocated to the ITS segment have been presented net in separate line items (“from discontinued operations”) in the income statement for both the reporting and the comparative period; the same has been done for the cash flows previously allocated to the ITS segment in the statement of cash flows. Furthermore, all assets and liabilities previously allocated to the ITS segment have been transferred to the balance sheet items “assets classified as held for sale” or “liabilities associated with assets classified as held for sale” as of 31 December 2021 (for further details see note [16]).

Meeting the closing conditions on 6 January 2022 resulted in a loss of control and therefore the deconsolidation of PTV. The shares in European Transport Solutions will be accounted for as associates at equity in Porsche SE’s future consolidated financial statements. Porsche SE received a cash inflow of around €0.2 billion from this transaction in the fiscal year 2022. As a result of the deconsolidation, around €0.1 billion in income will also be recorded in the result from discontinued operations in the fiscal year 2022.

In March 2022, Porsche SE, together with Bridgepoint, acquired the Econolite Group, Inc., Anaheim, California, USA (“Econolite”). Together with PTV, this will create a world-leading technological provider of forward-looking infrastructure and traffic solutions. PTV and Econolite are being combined under European Transport Solutions as a joint holding company. To finance the purchase price, Porsche SE will participate in a capital increase with an amount in the lower double-digit million range. With a non-controlling share of around 10%, the previous owners of Econolite will have a stake in the new group, thereby proportionately reducing Porsche SE’s and Bridgepoint’s shareholding in European Transport Solutions. The transaction, which is subject to competition clearances, is scheduled to complete by mid-2022.

Full consolidation and at equity accounting

The consolidated financial statements of Porsche SE include all entities controlled by Porsche SE by means of full consolidation. An entity is controlled when the parent company has decision-making power over the subsidiary due to voting or other rights, it is exposed to, or has rights to, returns from the subsidiary and has the ability to affect those returns through its power over the investee. First-time full consolidation is performed as of the date on which the acquirer obtains control. A company is no longer fully consolidated upon loss of control.

Companies where Porsche SE is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates) are accounted for at equity. When holding 20% or more of the voting rights, there is a rebuttable presumption that significant influence is given. Conversely, when holding less than 20% of the voting rights, it is presumed that there is no significant influence unless there is clear evidence of such significant influence.

Associates also include companies in which the Porsche SE Group holds the majority of voting rights, but whose articles of association or partnership agreements stipulate that important decisions may not be made without the approval of the other shareholders or where Porsche SE does not have control as defined by IFRSs for other reasons. Porsche SE holds the majority of voting rights in Volkswagen AG. The articles of association of Volkswagen AG prescribe that the State of Lower Saxony has a right to appoint two members of the supervisory board, provided that it holds at least 15% of the ordinary shares in Volkswagen AG. On account of the interest held by the State of Lower Saxony in Volkswagen AG, this delegation right prevents Porsche SE from including the Volkswagen Group in the consolidated financial statements of Porsche SE by way of full consolidation because Porsche SE cannot determine the majority on the supervisory board of Volkswagen AG and it consequently does not have control as defined by IFRSs. Due to the significant influence nonetheless exercised by Porsche SE, its investment in Volkswagen AG is accounted for in the consolidated financial statements of Porsche SE at equity.

Consolidation principles

The financial statements of all subsidiaries and investments accounted for at equity were prepared as of the reporting date of the consolidated financial statements, which is the reporting date of Porsche SE. Where necessary, adjustments are made to uniform group accounting policies.

The group accounts for business combinations using the acquisition method when the group has obtained control. The consideration transferred during the acquisition as well as the identifiable net assets acquired are measured at fair value. Any goodwill arising is tested for impairment at least once a year. Any profit from an acquisition at a price below the market value is recognized directly through profit or loss. Transaction costs are immediately expensed as incurred.

As of the acquisition date, any contingent consideration obligation is measured at fair value. If the contingent consideration is classified as equity, it is not remeasured as part of subsequent measurement and its settlement is accounted for directly within equity. Other contingent consideration is remeasured at fair value on every reporting date and any fair value changes are recognized through profit or loss.

Non-controlling interests are measured at the time of acquisition at their proportionate share of the acquiree's identifiable net assets (excluding goodwill).

Any difference arising upon acquisition of additional shares or sale of shares after initial consolidation without loss of control in a subsidiary that has already been fully consolidated is recognized directly within equity.

All intra-group assets and liabilities, equity, income and expenses as well as cash flows relating to transactions between members of the group are eliminated in full on consolidation.

If the group loses control over a subsidiary, the assets and liabilities attributable to the subsidiary and all related non-controlling interests and other components of equity are derecognized. Any resultant gain or loss is recognized through profit or loss. Any investment retained is recognized at fair value.

At equity accounting

When investments in associates are acquired, they are generally recognized at cost, including acquisition-related costs, as of the date of initial recognition. In the event of partial sale or loss of control of previously fully consolidated subsidiaries, the investments in associates are recognized at fair value as of the date when control is lost. Any positive difference between the acquisition cost of the shares and the proportionate fair value of the identified assets, liabilities and contingent liabilities is recognized as goodwill in an ancillary calculation. Identified hidden reserves and liabilities along with goodwill are included in the carrying amount of the investment. Goodwill is neither amortized nor individually tested for impairment. Any negative difference between the acquisition cost of the shares and the proportionate fair value of the identified assets, liabilities and contingent liabilities is recognized as a gain through profit or loss at the date of acquisition.

In subsequent periods, the carrying amount is subsequently measured to reflect the Porsche SE Group's share of changes in net assets of the associate, including hidden reserves and liabilities ("at equity method"). The Porsche SE Group's share in the result after tax of the investment less the share of the result of non-controlling interests and hybrid investors of the investment is recognized in the income statement within the item "result from investments accounted for at equity". The Porsche SE Group's share in the other comprehensive income of these investments is recognized in the other comprehensive income of the Porsche SE Group. Furthermore, changes directly recognized in the equity of the associate are directly recognized pro rata in the equity of the Porsche SE Group. Dividends received lead to a reduction of the investment's carrying amount with no effect on the Porsche SE Group's income statement or equity.

When additional interests are acquired without a change in status, each tranche is generally accounted for separately using the at equity method, i.e., the positive or negative difference between the proportionate remeasured equity of the investee and the acquisition cost of the interest is calculated for the acquired interests and subsequent measurement of equity is accounted for individually (in tranches). Any negative difference attributable to the new interest is recognized through profit or loss at the time of acquisition.

An impairment test is carried out whenever there is objective evidence that the entire carrying amount of the investment is impaired. If the carrying amount of the investment exceeds its recoverable amount, a difference is recognized as an impairment loss through profit or loss. When an impairment loss was recognized in prior periods, it is assessed at least once a year whether there is any indication that the reason for a previously recognized impairment loss no longer exists or has decreased. If this is the case, the recoverable amount is recalculated and an impairment previously recognized that no longer exists is reversed.

Currency translation

In the separate financial statements of Porsche SE and the consolidated subsidiaries, business transactions in foreign currencies are translated using the rates at the time of the transactions. In the balance sheet, monetary assets and liabilities denominated in foreign currencies are measured at the closing rate, and any resulting exchange gains or losses are recognized through profit or loss.

The financial statements of foreign companies are translated into euros using the functional currency concept. Assets, liabilities and contingent liabilities are translated at the closing rate as of the reporting date, while equity is translated at historical rates except for other reserves (OCI). Any resulting exchange rate differences are recognized in other comprehensive income until the disposal of the subsidiaries and disclosed under other reserves (OCI) within equity. The income statement is translated using average exchange rates.

The exchange rates applied for translating transactions to the euro are presented in the following table.

		Balance sheet Closing rate		Income statement Average rate	
	1€=	**31/12/2021**	31/12/2020	**2021**	2020
Argentina	ARS	116.2451	103.2880	112.2969	80.7318
Australia	AUD	1.5612	1.5861	1.5748	1.6553
Brazil	BRL	6.3068	6.3756	6.3812	5.8885
China	CNY	7.1870	8.0290	7.6333	7.8703
United Kingdom	GBP	0.8400	0.8993	0.8600	0.8890
India	INR	84.1690	89.6900	87.4646	84.5711
Japan	JPY	130.3200	126.5100	129.8605	121.7731
Canada	CAD	1.4417	1.5628	1.4833	1.5294
Mexico	MXN	23.1418	24.4115	23.9955	24.5175
Poland	PLN	4.5943	4.5562	4.5654	4.4438
Republic of Korea	KRW	1,344.9650	1,336.2100	1,353.9383	1,345.1409
Russia	RUB	84.9779	91.7754	87.2288	82.6358
Sweden	SEK	10.2548	10.0247	10.1460	10.4888
South Africa	ZAR	18.0532	18.0152	17.4823	18.7672
Czech Republic	CZK	24.8590	26.2390	25.6539	26.4544
USA	USD	1.1320	1.2276	1.1834	1.1413

Accounting policies

The assets and liabilities of the companies included in the consolidated financial statements are accounted for using uniform accounting policies applicable at the Porsche SE Group. Generally speaking, the same accounting policies are also used at the level of the associates.

Since the contributions to profit or loss made by the investments in Volkswagen AG accounted for at equity have a significant impact on the results of operations and net assets of the Porsche SE Group, accounting policies relevant only for transactions within the Volkswagen Group are also included in the explanations below.

Change in presentation within the consolidated income statement

Due to the sale of the shares in PTV (for further details see section “Changes in the reporting period”) and the resulting adjustments made to internal management and reporting (for further details see note [18]), the structure of the consolidated income statement was adjusted in the reporting year. This was aimed at improving the presentation of the key activities of Porsche SE in line with its business model as an investment holding company.

In addition to a change in the order of the individual items in the consolidated income statement, income and expenses from investment valuation are now disclosed separately within the “result from investments”, whereas previously they were included in “other financial result” within “financial result”.

The prior-year comparative figures in the consolidated income statement comprise two separate columns showing the presentation as it used to be and how it is now.

The change in presentation within the consolidated income statement resulted in consequential adjustments to the consolidated statement of cash flows. The correction item “result from investments accounted for at equity” previously recognized separately is now included in the correction item “result from investments” together with the income and expenses from investment valuation previously included in the correction item “other non-cash expenses and income”.

Measurement principles

With the exception of certain items, for example the investments accounted for at equity or financial instruments at fair value, the consolidated financial statements are prepared using the historical cost principle. The measurement principles used are described below in detail.

Intangible assets

Goodwill

Goodwill acquired in business combinations is measured at cost less any accumulated impairment losses.

Research and development

Research costs are expensed in the period as they are incurred. Development costs of an intangible asset are only recognized if they can be measured reliably, the development project is technically feasible, a future economic benefit is probable and the group has both the intention and sufficient resources to complete the development and to use or sell the asset. After their initial recognition as an asset, development costs are recognized at cost less accumulated amortization and any accumulated impairment losses. Economic useful lives range from three to nine years.

Other intangible assets

Purchased intangible assets with finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with indefinite useful lives are not amortized, but instead tested annually for impairment.

Intangible assets with finite useful lives are amortized on a straight-line basis over their useful life. Useful lives mainly range from three to five years. Within the PSE Group, other intangible assets recognized do not contain any assets with indefinite useful lives.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation over their economic useful life as well as any accumulated impairment losses. Self-constructed items of property, plant and equipment are recognized at cost. Cost is determined on the basis of the direct and the proportionate indirect production-related costs. Grants for assets are generally deducted from cost.

Property, plant and equipment are depreciated over the estimated useful life on a straight-line basis pro rata temporis.

Depreciation is based on the following useful lives:

	Years
Buildings	20 to 50
Site improvements	10 to 20
Technical equipment and machinery	6 to 12
Other equipment, furniture and fixtures (including special tools)	3 to 15

Net carrying amounts, depreciation methods and useful lives are regularly reviewed as of the reporting date, and adjusted prospectively as changes in estimates if appropriate.

Property, plant and equipment are derecognized either upon disposal or when no future economic benefits are expected from the continued use or sale of a recognized asset. The gain or loss arising from the derecognition of the asset, determined as the difference between net disposal proceeds and the asset's carrying amount as of the date of disposal, is included in profit or loss for the corresponding period.

Leases

Pursuant to IFRS 16, it is assessed at inception of a contract whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to use an asset for a period of time in exchange for consideration.

The lessee generally recognizes a right-of-use asset and a lease liability in its balance sheet for all leases. The lease liability is measured at the amount of the outstanding lease payments discounted using the incremental borrowing rate, while the right-of-use asset is generally measured at the amount of the lease liability plus any initial direct costs. During the lease term, the right-of-use asset is depreciated over the term of the lease. Options to extend or terminate the lease are taken into account when determining the lease term if it is reasonably certain that the options will be exercised. The lease liability is subsequently measured using the effective interest method and taking into account the lease payments. Right-of-use assets recognized in the balance sheet are presented in the balance sheet item under which the assets underlying the lease would have been recognized had they been owned by the lessee.

The Porsche SE Group acts exclusively as lessee, in particular for buildings and vehicles. The exemptions for short-term leases and leases for low-value assets are used. No right-of-use asset or liability is recognized for such leases and the lease payments are recognized as an expense in the income statement. Leases for which right-of-use assets and liabilities are recognized are immaterial; the right-of-use assets are recognized as non-current assets under property, plant and equipment and the lease liabilities as financial liabilities.

At the level of the Volkswagen Group, there are also leases that have Volkswagen Group companies as lessor. The accounting treatment for such leases is based on the classification into operating leases and finance leases. This classification is made on the basis of the distribution of risks and rewards incidental to ownership of the lease asset. For operating leases, the principal risks and rewards remain with the lessor. Vehicles leased out under operating leases are recognized at cost and depreciated to their estimated residual value using the straight-line method over the term of the lease. Impairments identified pursuant to IAS 36 are recognized as impairment losses. The forecast residual values are adjusted to include constantly updated internal and external information on residual values, depending on specific local factors and the experiences gained in the marketing of used cars. This requires making assumptions in particular about vehicle supply and demand in the future, as well as about vehicle price trends. Such assumptions are based either on qualified estimates or on data published by external experts. Qualified estimates are based on external data – if available - that reflects additional information that is available internally, such as historical experience and current sales data. Under a finance lease, the material risks and rewards are transferred to the lessee. The lease asset is derecognized from the fixed assets of the associate and instead a receivable is recognized in the amount of the net investment in the lease.

Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of that qualifying asset. There are no qualifying assets at the level of the Porsche SE Group.

Impairment test

An impairment test is performed at least once a year for goodwill, capitalized development costs for products not yet ready for use and intangible assets with an indefinite useful life. For intangible assets with finite useful lives, property, plant and equipment as well as investments accounted for at equity an impairment test is only performed when there is objective evidence that the asset may be impaired. At the end of each reporting period, the group assesses whether there is any indication of impairment. With respect to the procedure for impairment testing of investments accounted for at equity, reference is made to the section “At equity accounting” under “Consolidation principles” above. As of 31 December 2021, at the level of the Porsche SE Group, continuing operations do not contain any goodwill, capitalized development costs for products not yet ready for use or intangible assets with an indefinite useful life.

The recoverable amount is determined in the course of impairment testing. The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of the estimated future cash flows expected to arise from the continuing use of the asset and its disposal using a discounted cash flow method or capitalized earnings method.

The recoverable amount is generally determined separately for each asset. If it is not possible to determine the recoverable amount for an individual asset because it does not generate cash inflows that are largely independent of the cash inflows from other assets, it is determined on the basis of a group of assets that constitutes a cash-generating unit.

If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognized to account for the difference. It is reviewed on an annual basis whether the reasons for any previously recognized impairment loss still exist. If such reasons no longer exist, the impairments are reversed through profit or loss (with the exception of goodwill). The amount reversed cannot exceed the amount that would have been determined as the carrying amount, net of any depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

Investment property

Land and buildings held in order to obtain rental income (investment property) is accounted for at amortized cost. The underlying useful lives and depreciation methods used in subsequent measurement generally correspond to those applied for items of property, plant and equipment used by the group. There is no investment property at the level of the Porsche SE Group.

Inventories

Inventories are stated at the lower of cost or net realizable value as of the reporting date.

Cost is determined on the basis of the direct and indirect costs that are directly attributable. Borrowing costs are not capitalized. The measurement of same or similar inventories is generally based on the weighted average cost method.

Financial instruments

Financial instruments are contracts that give rise to a financial asset of one company and a financial liability or an equity instrument of another.

Initial recognition of financial instruments

If the trade date of a financial instrument differs from the settlement date, it is initially accounted for at the settlement date. Initial recognition of a financial asset (with the exception of trade receivables without any significant financing component) or a financial liability is at fair value plus, in the case of financial instruments not measured at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at transaction price.

Subsequent measurement of financial assets

For subsequent measurement, financial assets are divided into four categories:

- Financial assets (debt instruments) at amortized cost (FAAC)
- Financial assets (debt instruments) at fair value with recognition of fair value changes through other comprehensive income (FVOCI debt instruments)
- Financial assets (equity instruments) at fair value with recognition of fair value changes through other comprehensive income (FVOCI equity instruments)
- Financial assets at fair value with recognition of fair value changes through profit or loss (FVtPL)

The classification and measurement of financial assets is based on the business model used and the structure of the cash flows.

Financial assets at amortized cost are held under a business model that is aimed at collecting contractual cash flows. The cash flows of these assets relate solely to principal and interest payments at specified times on the principal amount outstanding. In subsequent periods, financial assets at amortized cost are measured using the effective interest method and tested for impairment. Gains or losses are recognized through profit or loss when the financial asset is derecognized, modified or impaired. At the level of the Porsche SE Group, this category primarily includes trade receivables, time deposits, cash and cash equivalents and other financial receivables. At the level of the Volkswagen Group, receivables from the financial service business are also allocated to this category.

An FVOCI debt instrument is recognized at fair value with recognition of fair value changes through other comprehensive income if it is held under a business model that is aimed at both collecting contractual cash flows and selling financial assets. Interest income, currency translation gains and losses as well as impairment losses or reversals of impairment losses are recognized through profit or loss and calculated in the same way as financial assets measured at amortized cost. The remaining changes in fair value are recognized through other comprehensive income. Upon derecognition, cumulative gains or losses from changes in fair value recognized through other comprehensive income are reclassified to profit or loss. No financial assets are currently allocated to this category at the level of the Porsche SE Group. However, other comprehensive income of the Porsche SE Group does contain corresponding proportionate changes in fair value of FVOCI debt instruments at the level of the Volkswagen Group as a result of applying at equity accounting.

Upon initial recognition of an equity instrument as defined by IAS 32 not held for trading, the option can irrevocably be exercised to recognize fair value changes through other comprehensive income rather than through profit or loss. It is not permitted to reclassify income and expenses previously recognized in other comprehensive income to profit or loss at a later stage. Upon the disposal of the equity instrument, accumulated income or expenses are reclassified within equity to retained earnings. By contrast, dividends are generally recognized through profit or loss for these instruments. FVOCI equity instruments are not tested for impairment. The option can be exercised for each investment on a case-by-case basis. This option is currently not exercised at the Porsche SE Group. At the level of the Volkswagen Group, this option is generally exercised for equity investments.

All financial assets that are not measured at amortized cost (FAAC) or at fair value with changes in fair value recognized through other comprehensive income (FVOCI) are measured at fair value with changes in fair value recognized through profit or loss (FVtPL). Net gains and losses, including any interest or dividend income, are also recognized through profit or loss. The fair value option, according to which other financial assets can be designated as at fair value through profit or loss upon initial recognition, is not applied. At the Porsche SE Group, this category primarily includes securities and shares in portfolio investments. At the level of the Volkswagen Group, this category is largely made up of derivatives outside of hedge accounting and shares in investment funds.

Dividend income is recognized when the group’s right to receive the payment is established.

Impairment losses on financial instruments

Financial assets are exposed to default risk, which is taken into account by recognizing loss allowances or, if losses have already been incurred, by recognizing an impairment loss. Loss allowances on trade receivables are generally recognized applying a simplified approach taking into account historical loss rates in addition to forward-looking information as well as using specific loss allowances.

Default risk on receivables and loans within the financial services business at the level of the Volkswagen Group is accounted for by recognizing specific loss allowances and portfolio-based allowances. In particular, a loss allowance is recognized on these financial receivables in the amount of the expected loss in accordance with group-wide standards. The actual specific loss allowances of the losses incurred are then charged to this loss allowance. A potential impairment is assumed not only for a number of situations such as delayed payment over a certain period of time, the institution of enforcement measures, the threat of insolvency or overindebtedness, application for or the opening of bankruptcy proceedings or the failure of financial reorganization measures, but also for receivables that are not past due. Portfolio-based loss allowances are recognized by grouping together insignificant receivables and significant individual receivables for which there is no indication of impairment into homogeneous portfolios on the basis of comparable credit risk features and allocating them by risk class. Average historical default probabilities are used in combination with forward-looking parameters for the portfolio concerned to calculate the amount of the impairment loss.

Loss allowances on trade receivables are generally recognized in separate allowance accounts.

Subsequent measurement of financial liabilities

For purposes of subsequent measurement, financial liabilities are divided into two categories:

- Financial liabilities at fair value through profit or loss (FVtPL), and

- Financial liabilities at amortized cost (FLAC)

Financial liabilities at fair value through profit or loss (FVtPL) include financial liabilities held for trading and other financial liabilities designated as at fair value through profit or loss upon initial recognition (fair value option). These also include derivatives that are not designated as hedging instruments. Financial liabilities in this category are measured at fair value and net gains and losses, including interest expenses, are recognized through profit or loss. The fair value option for financial liabilities is not applied. At the Volkswagen Group, this category includes derivatives that were not designated as hedging instruments.

Other financial liabilities are subsequently measured at amortized cost (FLAC) using the effective interest method. Interest expenses and currency translation differences are recognized through profit or loss. Gains and losses from derecognition are also recognized through profit or loss. This category primarily includes trade payables, financial liabilities and other financial liabilities.

Derivative financial instruments

Derivative financial instruments are measured at fair value in subsequent periods. Hedge accounting is only relevant at the level of the Volkswagen Group, where it is applied.

The accounting treatment of changes in fair value of hedging instruments depends on the nature of the hedging relationship. In the case of hedges against the risk of change in the fair value of balance sheet items (fair value changes), both the hedging instrument and the hedged risk portion of the hedged item are measured at fair value. Gains or losses from the measurement of hedging instruments and hedged items are recognized through profit or loss.

In the case of cash flow hedges, the hedging instruments are also measured at fair value. At the level of the Volkswagen Group, the designated effective portion of the hedging instrument is recognized through other comprehensive income as is the cost of hedging allocable to the designated effective portion. The effects are only reclassified through profit or loss when the hedged item is realized. The ineffective portion of a hedging instrument is recognized through profit or loss immediately.

As a result of including the investment in Volkswagen AG accounted for at equity in the consolidated financial statements of Porsche SE, the effects from hedge accounting at the level of the Volkswagen Group are, in line with the accounting policies mentioned above, proportionately recognized at the level of the Porsche SE Group through profit or loss (within the result from investments accounted for at equity) or through other comprehensive income.

Fair value of financial instruments

Fair value corresponds to the market or stock price, provided the financial instruments measured are traded on an active market. If there is no active market for a financial instrument, fair value is calculated using appropriate valuation techniques such as generally accepted option pricing models or discounting future cash flows at the market interest rate, or by referring to the most recent business transactions between knowledgeable, willing and independent business partners. The carrying amount of current financial assets and liabilities not measured at fair value provides an approximation of their fair value.

Offsetting of financial instruments

Financial assets and liabilities are presented net in the balance sheet only if the group has a present contractual right to settle net and if it intends to settle the liability on a net basis or by settling the liability together with realization of the asset.

Derecognition of financial instruments

Financial assets are primarily derecognized when the contractual right to the cash flows has expired or this right is transferred to a third party. Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expired.

Income tax

Deferred tax assets are generally recognized for tax-deductible temporary differences between the tax base and carrying amounts in the consolidated balance sheet (taking into account temporary differences arising from consolidation) as well as on tax loss carryforwards and tax credits provided it is probable that they can be used in future periods. Deferred tax liabilities are generally recognized for all taxable temporary differences between the tax base and carrying amounts in the consolidated balance sheet (temporary concept). Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries, investments in associates and interests in joint ventures are not recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. As the timing of the reversal of the temporary taxable differences in particular in connection with the investment in Volkswagen AG cannot be controlled due to lack of control, deferred tax liabilities are recognized on these temporary differences. Deferred tax assets that are unlikely to be realized within a clearly predictable period are reduced by loss allowances. A previously unrecognized deferred tax asset is reassessed and recognized to the extent that it has become probable that future taxable profit will allow it to be realized.

Deferred tax is measured on the basis of the tax rates that apply or that are expected to apply based on the current legislation in the individual countries at the time of realization. Deferred tax is not discounted.

Deferred tax assets and deferred tax liabilities are offset if the group entities have a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

Current income tax assets and liabilities for the current and for prior periods are measured at the amount expected to be refunded by or paid to the taxation authorities. The tax rates and tax laws applied for measurement are those that are enacted at the reporting date.

Deferred and current tax relating to items recognized through other comprehensive income or directly in equity is likewise recognized through other comprehensive income or directly in equity. This includes deferred taxes on the investment in Volkswagen AG.

Assets classified as held for sale and liabilities associated with assets classified as held for sale

Under IFRS 5, non-current assets or groups of assets and liabilities are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such assets and liabilities are carried at the lower of their carrying amount and fair value less costs to sell, and are presented separately within current assets and liabilities in the balance sheet. Intangible assets and property, plant and equipment are no longer amortized/depreciated.

Discontinued operations are components of an entity that have either been disposed of or are classified as held for sale. The assets and liabilities of operations that are held for sale represent disposal groups that must be measured and reported using the same principles as non-current assets held for sale. Discontinued operations are presented separately from continuing operations in the consolidated income statement and consolidated statement of cash flows; prior years are presented on a comparable basis.

Provisions for pensions and similar obligations

The provisions for obligations from defined benefit plans are measured using the projected unit credit method in accordance with IAS 19. Remeasurement effects as a result of changes in parameters are recognized through other comprehensive income after deferred tax has been taken into account.

If pension obligations are funded by plan assets, the obligation and the assets are offset. Service cost is presented as personnel expense while net interest from provision obligations and plan assets is presented in finance costs.

Other provisions

Other provisions are recognized if a past event has led to a current legal or constructive obligation to third parties that is expected to lead to a future outflow of resources embodying economic benefits that can be estimated reliably. Provisions are generally measured at the expected settlement amount, taking into account all identifiable risks. The settlement amount is calculated on the basis of the best estimates and also includes estimated cost increases.

Litigation costs relating to legal proceedings where the group is the defendant are provided for at the amount of the expected legal fees. Any obligations to pay damages or penalties are taken into account in the measurement only if their occurrence is considered to be probable.

Non-current provisions are stated at their discounted settlement amount at the reporting date. The interest rate used is a pre-tax rate that reflects current market assessments of the interest effect and the risks specific to the liability. The interest expense resulting from the unwinding of the discount is presented in finance costs.

Provisions are not offset against refund claims from third parties. Refund claims are recognized separately in other assets or other financial assets if it is virtually certain that the Porsche SE Group will receive the refund when it settles the obligation.

Government grants

Government grants related to assets are deducted from the carrying amount and recognized through profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge. If a claim to a government grant arises subsequently, the amount of the grant attributable to prior periods is recognized through profit or loss. Government grants that compensate for expenses incurred are recognized through profit or loss in the period and in the items where the expenses to be compensated are incurred.

Income and expenses

Revenue, interest and commission income from financial services of the Volkswagen Group as well as other operating income are generally not recognized until the relevant services have been rendered or the customer has obtained control of the goods or services.

When standard software or its license for an unlimited period is sold, the income is realized upon delivery or acquisition of the power of disposition. License revenue for software maintenance and support is recognized ratably over the term of the service being rendered and invoiced in advance on an annual or quarterly basis. User charges on a temporal basis are recognized on a straight-line basis over the term of the agreement.

In contracts under which the goods or services are transferred over a period of time, revenue is recognized, depending on the type of goods or service provided, either according to the stage of completion or, to simplify, on a straight-line basis. The latter option, however, only applies if straight-line revenue recognition does not differ materially from recognition based on the stage of completion. As a rule, the stage of completion is determined as the proportion that contract costs incurred by the end of the reporting period bear to the estimated total contract costs (cost-to-cost method). Contract costs incurred invariably represent the best way to measure the stage of completion for the performance obligation. If the outcome of a performance obligation satisfied over time is not sufficiently certain, but the company expects, as a minimum to recover its costs from the customer, revenue is only recognized in the amount of the contract costs incurred (zero-profit-margin method). If the expected costs exceed expected revenue, the expected loss is recognized immediately in full as expenses by recognizing impairment losses on the associated contract assets recognized and, additionally by recognizing provisions for any amounts in excess of the impairment loss. Until the performance obligation has been completely satisfied, revenue is realized by recognizing contract assets. If the prepayments made by the contractual partner exceed the capitalized amount, the net item is recognized as a contract liability. As soon as the performance obligation has been completely satisfied, the contract asset is replaced by a trade receivable.

If a contract comprises several separately identifiable performance obligations (multiple-element arrangements), these components are recognized separately in accordance with the principles outlined above.

Where new and used vehicles and original parts at the level of the Volkswagen Group are sold, performance invariably occurs upon delivery, because that is the point when control is transferred, and the inventory risk and, for deliveries to a dealer, invariably also the pricing decision pass to the customer. Revenue is reported net of sales allowances (discounts, price concessions, customer bonuses and rebates). Sales allowances and other variable consideration are measured on the basis of experience and by taking account of current circumstances. Vehicles are normally sold on payment terms. Financing components are only accrued if the period between the transfer of the goods and the payment of consideration is longer than one year and the amount to be accrued is significant.

Revenue from financing and finance lease agreements at the level of the Volkswagen Group is recognized using the effective interest method. If non-interest-bearing or low-interest vehicle financing arrangements are agreed, revenue is reduced by the interest benefits granted. Revenue from operating leases is recognized over the term of the contract on a straight-line basis.

If, at the level of the Volkswagen Group, services are sold together to the customer at the same time as the vehicle and the customer pays for them in advance, the Volkswagen Group recognizes a corresponding contract liability until the services have been transferred. Examples of services that the customers pay for in advance are servicing, maintenance and certain warranty contracts as well as mobile online services. For extended warranties granted to customers for a particular model, a provision is normally recognized in the same way as for statutory warranties. If the warranty is optional for the customer or it includes an additional service component, the related revenue is deferred and realized over the term of the warranty.

Income from the sale of assets at the level of the Volkswagen Group for which there is a buyback obligation is recognized only when the assets have definitively left the Volkswagen Group. If a fixed repurchase price was agreed when the contract was entered into, the difference between the selling price and present value of the repurchase price is recognized ratably as income over the term of the contract. Prior to that time, the assets are carried as inventories in the case of short contract terms and as lease assets in the case of long contract terms.

Revenue is generally determined on the basis of the price stated in the contract. If variable consideration has been agreed in the contract (e.g. volume-based bonus payments), revenue is generally estimated using the expected value method. In exceptional cases, the most probable amount method may also be used. Once the expected revenue has been estimated, an additional check is carried out to determine whether there is any uncertainty that necessitates the reversal of the revenue initially recognized so that it can be virtually ruled out that revenue subsequently has to be adjusted downward. At the level of Volkswagen Group, provisions for reimbursements arise mainly from dealer bonuses.

In multiple-element arrangements, the transaction price is allocated to the different performance obligations of the contract on the basis of relative standalone selling prices. In the automotive division at the level of the Volkswagen Group, non-vehicle-related services are invariably measured at their standalone selling prices for reasons of materiality.

Production- and manufacture-related expenses are recognized upon delivery or utilization of the service, while all other expenses are expensed as incurred. The same applies for research costs and for development costs not eligible for recognition.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation to third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the reporting company. Contingent liabilities also include present obligations arising from past events which are not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. If it is deemed that an outflow of resources is not remote, the estimated financial impact of contingent liabilities is, where practicable, disclosed in the notes to the financial statements and, where this is not practicable, an explanation of contingent liabilities is provided.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Contingent assets are not recognized as an asset, as this would result in the recognition of income that potentially may never be realized. An explanation is provided in the notes if an inflow of economic benefits is probable. However, if the realization of income is virtually certain, it is not recognized as a contingent asset but instead as an asset.

Accounting judgments, estimates and assumptions of the management

The preparation of the consolidated financial statements requires of the board of management judgments, estimates and assumptions that have an effect on the recognition, measurement and presentation of assets, liabilities, income and expenses and the accompanying disclosures, as well as the disclosure of contingent assets and liabilities. Actual results may deviate from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognized prospectively.

A key source of accounting judgments and estimate uncertainties that therefore could have significant effects on the results of operations, financial position and net assets of the Porsche SE Group is the diesel issue, which came to light in September 2015. Porsche SE is directly affected by the diesel issue on account of the claims asserted against it, in particular in the form of proceedings (see note [20] “Legal proceedings and legal risks in connection with the diesel issue and shareholder proceedings”). Provisions have been set up for the expected attorneys’ fees and litigation expenses. The outcome of litigation is subject to substantial estimation risks. Beyond the direct effects, the estimation risks at the level of the Volkswagen Group may also have significant indirect effects on the Porsche SE Group. This largely relates to the result from investments accounted for at equity (see note [1]), the carrying amount of the investment in Volkswagen AG accounted for at equity (see note [8]), as well as potential subsequent effects of an amended dividend policy of Volkswagen AG.

Judgments when applying the accounting policies that significantly impact the amounts recognized in the financial statements relate to the matters listed below and are explained in the notes referred to below:

- recognition of provisions and disclosure of contingent liabilities in connection with legal disputes relating to the expansion of the investment in Volkswagen AG (see note [20] “Legal proceedings and legal risks in connection with the expansion of the investment in Volkswagen AG”) and the diesel issue (see above) and

- contingent assets from tax matters (see note [21]).

Estimates and assumptions as of 31 December 2021 that can give rise to a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the following matters and are explained in the notes referred to below:

- calculations of recoverable amounts when testing the carrying amounts of investments for impairment and reversal of impairment (see notes [1] and [8])

- the measurement of provisions and contingent liabilities in connection with legal disputes relating to the expansion of the investment in Volkswagen AG (see note [20]) and the diesel issue (see above)

- the measurement of current and deferred tax (see note [6]).

Accounting judgments, estimates and assumptions of the management at the level of the Volkswagen Group

As the contributions to profit or loss made by the investments accounted for at equity have a significant impact on the results of operations and net assets of the Porsche SE Group, matters with significant judgments, estimates and assumptions at the level of the Volkswagen Group are presented below.

Estimates and assumptions by Volkswagen's management were based in particular on assumptions relating to the development of the general economic environment, the automotive markets and the legal environment.

The global economy recovered in 2021 due to the temporary relaxation of many restrictions and recorded positive growth of 5.6% (-3.4%). The Volkswagen Group's planning is based on the assumption that global economic output will continue to grow in 2022, albeit at a somewhat lower level overall, after the recovery observed in the past fiscal year – provided that the Covid-19 pandemic does not flare up again and that shortages of intermediates and commodities become less intense.

The impairment testing of non-financial assets (especially goodwill, brand names, capitalized development costs and special operational equipment) and equity-accounted investments, or investments accounted at cost, and the measurement of options on shares in companies that are not traded in an active market require assumptions about the future cash flows during the planning period, and possibly beyond it, as well as about the discount rate to be applied. The estimates made in order to separate cash flows mainly relate to future market shares, the trend in the respective markets and the profitability of the Volkswagen Group's products. In addition, the recoverability of the group's lease assets depends in particular on the residual value of the leased vehicles after expiration of the lease term, because this represents a significant portion of the expected cash flows.

If there are no observable market inputs, the fair values of assets acquired and liabilities assumed in a business combination are measured using recognized valuation techniques, such as the relief-from-royalty method or the residual method.

Impairment testing of financial assets requires estimates about the extent and probability of occurrence of future events. As far as possible, estimates are derived from experience taking into account current market data as well as rating categories and scoring information.

At the level of the Volkswagen Group, tax provisions were recognized for potential future tax backpayments, while other provisions were recognized for ancillary tax payments arising in this connection. The measurement of the tax provision is based on the most likely exposure resulting from this risk materializing.

Government grants are recognized based on an assessment as to whether there is reasonable assurance that the Volkswagen Group companies will fulfill the conditions for awarding the grants and that the grants will in fact be awarded. This assessment is based on the nature of the legal entitlement and past experience.

Estimates of the useful life of finite-lived assets are based on experience and are reviewed regularly.

Estimates of lease terms under IFRS 16 are based on the non-cancelable period of a lease and an assessment of whether existing extension and termination options will be exercised. The determination of the lease term and the discount rates used impacts on the amounts to be recognized for right-of-use assets and lease liabilities.

Measuring deferred tax assets requires assumptions regarding future taxable income and the timing of the realization of deferred tax assets.

Accounting for provisions is also based on estimates of the extent and probability of occurrence of future events, as well as estimates of the discount rate. As far as possible, these are also based on experience or external opinions. Calculation of the pension provisions is based on actuarial assumptions. Warranty claims from sales transactions are calculated on the basis of losses to date, estimated future losses and the policy on ex gratia arrangements. In addition, assumptions must be made about the nature and extent of future warranty and ex gratia claims. For the provisions recognized in connection with the diesel issue, assumptions were made in particular about working hours, material costs and hourly wage rates, depending on the series, model year and country concerned. In addition, assumptions are made about future resale prices of repurchased vehicles. These assumptions are based on qualified estimates, which are based in turn on external data, and also reflect additional information available internally, such as values derived from experience.

Volkswagen AG and the companies in which it is directly or indirectly invested are involved in a substantial number of legal disputes and governmental proceedings in Germany and abroad. In this context, specific estimation of the objectively likely consequences is often possible only to a very limited extent, if at all. This is, for instance, the case with regard to the legal risks assessed in connection with the 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 diesel issue is rooted in a modification of parts of the software of the relevant engine control units – which, according to Volkswagen AG's legal position, is only unlawful under US law – for the type EA 189 diesel engines that Volkswagen AG was developing at that time.

This software function was developed and implemented from 2006 on without knowledge at the level of Volkswagen's board of management. Members of Volkswagen's board of management did not learn of the development and implementation of this software function until the summer of 2015.

An amount of around €2.1 billion (prior year: €1.9 billion) has been included in the provisions for litigation and legal risks at the level of the Volkswagen Group as of 31 December 2021 to account for the currently known legal risks 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 Volkswagen's notes to the consolidated financial statements in an aggregate amount of €4.3 billion (prior year: €4.2 billion), whereby roughly €3.6 billion (prior year: €3.5 billion) of this amount results from lawsuits filed by investors in Germany. The provisions recognized, 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 at the level of the Volkswagen Group. In particular, adjustment of the provisions recognized at the level of the Volkswagen Group and this having an indirect impact at the level of the Porsche SE Group in light of knowledge acquired or events occurring in the future cannot be ruled out.

In connection with the diesel issue, potential consequences for the Volkswagen Group's, and thus indirectly the Porsche SE Group's, results of operations, financial position and net assets could emerge primarily in the following legal areas:

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

Criminal investigations, regulatory offense proceedings, and/or administrative proceedings have been commenced in some countries. Criminal investigations into the core factual issues are being conducted by the Offices of the Public Prosecutor in Braunschweig and Munich.

In January 2021, the criminal proceedings regarding alleged market manipulation relating to capital market disclosure obligations in connection with the diesel issue were terminated by the Braunschweig Regional Court provisionally as regards the former chair of Volkswagen AG's board of management and definitively as regards Volkswagen AG.

In September 2020, the Braunschweig Regional Court allowed the indictment of the same former chair of the board of management of Volkswagen AG and others to proceed on charges that include fraud in connection with the diesel issue involving type EA 189 engines. The proceedings against this former chair of the board of management of Volkswagen AG have since been severed from the other cases. The trial of the other defendants began in September 2021.

The Braunschweig Office of the Public Prosecutor is furthermore conducting investigations on suspicion of fraud in connection with type EA 288 engines.

In June 2020, the Munich II Regional Court accepted the substantially unchanged indictment of the Munich II Office of the Public Prosecutor, which also names a former chair of the board of management of AUDI AG, and opened the main trial proceedings on charges of, among other things, fraud in connection with the diesel issue involving 3.0 l and 4.2 l TDI engines. Trial proceedings commenced in September 2020.

In August 2020, the Munich II Office of the Public Prosecutor issued a further indictment charging three former members of the board of management of AUDI AG and others with, among other things, fraud in connection with the diesel issue involving 3.0 l and 4.2 l TDI engines.

In connection with the diesel issue, the Stuttgart Office of the Public Prosecutor is conducting a criminal investigation on suspicion of fraud and illegal advertising; this investigation also involves a member of the board of management of Dr. Ing. h.c. F. Porsche AG (“Porsche AG”).

As the type approval authority of proper jurisdiction, the KBA is moreover continuously testing Audi, Volkswagen, and Porsche brand vehicles for problematic functions. If certain functions are deemed impermissible by the KBA, the affected vehicles are recalled pursuant to a recall order or they are brought back into compliance by means of a voluntary service measure.

Moreover, additional administrative proceedings relating to the diesel issue are ongoing in other jurisdictions. The Volkswagen Group companies are cooperating with the government authorities. Risks may furthermore result from possible decisions by the European Court of Justice construing EU type approval provisions.

Whether the criminal and administrative proceedings will ultimately result in fines or other consequences for Volkswagen Group companies and if so what amounts these may entail, is currently subject to estimation risks. According to Volkswagen’s estimates, the likelihood that a sanction will be imposed is 50% or less in the majority of these proceedings. Contingent liabilities have therefore been disclosed by Volkswagen where the amount of such liabilities could be measured and the likelihood of a sanction being imposed on Volkswagen is estimated to be not less than 10%.

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

A general possibility exists that customers in the affected markets will file civil lawsuits or that importers and dealers will assert recourse claims against Volkswagen AG and other Volkswagen Group companies. Besides individual lawsuits, various forms of collective actions (i.e., assertion of individual claims by plaintiffs acting jointly or as representatives of a class) are available in various jurisdictions. Furthermore, in a number of markets it is possible for consumer and/or environmental organizations to bring suit to enforce alleged rights to injunctive relief, declaratory judgment, or damages.

Customer class action lawsuits and actions brought by consumer and/or environmental organizations are pending against Volkswagen AG and other Volkswagen Group companies in a number of countries including Belgium, Brazil, England and Wales, France, Germany, Italy, the Netherlands, Portugal, and South Africa. Alleged rights to damages and other relief are asserted in these actions. The pending actions include in particular the following:

In Australia, two civil suits filed against Volkswagen AG and other Volkswagen Group companies by the Australian Competition and Consumer Commission (ACCC) were settled for the sum of AUD 75 million in the second half of 2019. On appeal, the amount of the settlement was increased to AUD 125 million by final judicial ruling in the reporting year.

In Belgium, the Belgian consumer organization Test Aankoop VZW has filed a class action to which an opt-out mechanism has been held to apply. Given the opt-out mechanism, the class action potentially covers all vehicles with type EA 189 engines purchased by consumers on the Belgian market after 1 September 2014, unless the right to opt out is actively exercised. The asserted claims are based on purported violations of unfair competition and consumer protection law as well as on alleged breach of contract.

In Brazil, two consumer protection class actions are pending. The first of these class actions pertains to some 17 thousand Amarok vehicles and the second to roughly 67 thousand later generation Amaroks. In the first class action, an appeals judgment was rendered in May 2019 that only partially upheld the lower court's decision. This judgment initially reduced the damage liability of Volkswagen do Brasil considerably to around BRL 172 million. This amount can increase as a result of the adjudicated inflation rate and the assertion of individual claims alleging declines in the value of affected Amarok vehicles. The appeals judgment remains non-final since Volkswagen do Brasil has appealed it to a higher court. The second class action was dismissed as inadmissible in October 2021. The judgment is appealable.

financialright GmbH filed consolidated actions before various German courts asserting claims assigned to it by customers in Germany, Slovenia, and Switzerland against Volkswagen Group companies. Following the withdrawal of numerous motions for relief, approximately 36 thousand claims are currently still pending. Some cases have in the meantime moved to the first or second appeals level. There is, however, as yet no high court ruling on the permissibility of the business model of financialright GmbH.

In England and Wales, suits filed in court by various law firms have been joined in a single collective action (group litigation). Because of the opt-in mechanism, not all vehicles with type EA 189 engines are automatically covered by the group litigation; potential claimants must instead take action in order to join. To date, some 91 thousand plaintiffs have registered claims under the group litigation, for which the opt-in period has expired. Further plaintiff law firms have registered roughly 105 thousand additional claims with the court. The question of liability on the part of Volkswagen was not among the preliminary issues that the High Court decided in April 2020 and will be dealt with at a later stage of the proceedings. The main trial proceedings are to begin in January 2023. In addition, in late 2021 a new lawsuit was filed in court against Volkswagen AG, Volkswagen Financial Services (UK) Limited, and other Volkswagen Group companies in connection with certain diesel vehicles leased or sold in England, Wales, and Northern Ireland since 2009 and various other diesel engine types.

In France, a class action is pending that was filed by the French consumer organization Confédération de la Consommation, du Logement et du Cadre de Vie (CLCV) against Volkswagen Group Automotive Retail France and Volkswagen AG for up to 1 million French owners and lessees of vehicles with type EA 189 engines. This is an opt-in class action.

In Italy, a trial level judgment in favor of the plaintiffs was rendered by the Venice Regional Court in July 2021 in the class action brought by the consumer association Altroconsumo on behalf of Italian customers; the judgment requires Volkswagen AG and Volkswagen Group Italia to pay damages to some 63 thousand consumers in an aggregate amount of roughly €185 million. Volkswagen AG and Volkswagen Group Italia have appealed this decision.

In the Netherlands, an opt-out class action is pending that was brought by Stichting Volkswagen Car Claim seeking declaratory rulings for up to 165 thousand customers. A declaratory judgment partially granting the relief sought was issued in July 2021. In the opinion of the court, Volkswagen AG and the other defendant Volkswagen Group companies acted unlawfully with respect to the original engine management software. The court moreover held that consumers are entitled to a purchase price reduction from the defendant dealerships. No specific payment obligations result from the declaratory judgment. Any individual claims would then have to be established afterwards in separate proceedings. Volkswagen AG and the other defendant Volkswagen Group companies have appealed the decision. Furthermore, an opt-out class action lawsuit brought by the Diesel Emissions Justice Foundation seeking monetary damages on behalf of Dutch consumers is also pending. It currently remains unclear whether other consumers in addition to those in the Netherlands may join this class action. The class action relates to vehicles with type EA 189 engines, among others.

In Portugal, a Portuguese consumer organization has filed an opt-out class action. The class action potentially affects up to approximately 99 thousand vehicles with type EA 189 engines. The complaint seeks vehicle return and alleges damages as well.

In South Africa, an opt-out class action seeking damages is pending that pertains to some 8 thousand vehicles with V6 and V8 TDI engines in addition to approximately 72 thousand vehicles with type EA 189 engines.

Furthermore, individual lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in various countries; most of these lawsuits are seeking damages or rescission of the purchase contract.

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

In 2020, the Bundesgerichtshof (BGH – Federal Court of Justice) issued a series of fundamental judgments deciding legal issues of major importance for the litigation still pending with regard to vehicles with type EA 189 engines. The BGH held that buyers who had purchased vehicles prior to public disclosure of the diesel issue had damage claims against Volkswagen AG. While buyers can require reimbursement of the purchase price paid, they must accept a deduction for the benefit derived from using the vehicle and must return it to Volkswagen AG. Buyers have no tort-based claim for damages if they purchased their vehicles after the ad hoc announcement of 22 September 2015 or if they raise claims based solely on a temperature-dependent emissions control feature (so-called thermal window) in the engine. In February 2022, the BGH issued further fundamental judgments concerning vehicles with EA 189 motors deciding that buyers of new vehicles of the Volkswagen brand were entitled to so-called residual damage claims against Volkswagen AG after the knowledge-based limitation period has expired. As a result, Volkswagen AG has to repay the purchase price of the vehicle or the price paid by the dealer. The BGH decided that the claims for residual damages do not extend beyond claims of ordinary damages. Buyers need to subtract the value of usage and can only demand payment of the residual damages if they in return relinquish the vehicle. Prior to this, the BGH had decided that, in contrast, buyers of used vehicles are not entitled to residual damages.

Volkswagen estimates the likelihood that the plaintiffs will prevail to be 50% or less in the great majority of cases: customer class actions, complaints filed by consumer and/or environmental organizations, and individual lawsuits. Contingent liabilities are disclosed by Volkswagen for these proceedings where the amount of such liabilities can be measured and the chance that the plaintiff will prevail was assessed as not remote. Given the early stage of the proceedings, it is in many cases not yet possible to quantify the realistic risk exposure. Furthermore, provisions were recognized at the level of the Volkswagen Group to the extent necessary based on the current assessment.

At this time, it cannot be estimated by Volkswagen how many customers will choose to file lawsuits in the future in addition to those already pending and what prospect of success such lawsuits might have.

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

Investors from Germany and abroad have filed claims for damages against Volkswagen AG – in some cases along with Porsche SE as joint and several debtors – based on purported losses due to alleged misconduct in capital market communications in connection with the diesel issue.

The vast majority of these investor lawsuits are currently pending before the Braunschweig Regional Court. In August 2016, the Braunschweig Regional Court issued an order referring common questions of law and fact relevant to the investor lawsuits pending before it to the Higher Regional Court in Braunschweig for binding declaratory rulings pursuant to the Kapitalanleger-Musterverfahrensgesetz (KapMuG – German Capital Investor Model Declaratory Judgment Act). In this proceeding, common questions of law and fact relevant to these actions are to be adjudicated by the Braunschweig Higher Regional Court in a single consolidated proceeding (model case proceedings). The lawsuits filed with the Braunschweig Regional Court are stayed pending resolution of the common issues, unless the cases can be dismissed for reasons independent of the common issues that are to be adjudicated in the model case proceedings. The resolution in the model case proceedings of the common questions of law and fact will be binding for the pending cases that have been stayed as described. The model case plaintiff is Deka Investment GmbH. Oral argument in the model case proceedings before the Braunschweig Higher Regional Court began in September 2018 and is continuing at subsequent hearings. The latest indication from the court was that it may take evidence on certain points.

Further investor lawsuits have been filed with the Stuttgart Regional Court against Volkswagen AG, in some cases along with Porsche SE as joint and several debtor. A further investor action for model declaratory judgment is pending before the Stuttgart Higher Regional Court against Porsche SE; Volkswagen AG is involved in this action as a third party intervening in support of a party to the dispute. The Wolverhampton City Council, Administrating Authority for the West Midlands Metropolitan Authorities Pension Fund, has been appointed model case plaintiff. Oral argument in this case began in July 2021 and is to be continued.

In the Netherlands, an unquantified action filed by a shareholder association seeking a determination that Volkswagen AG had supposedly misled the capital markets was withdrawn in early July 2021 after the European Court of Justice held that the courts of the Netherlands lacked international jurisdiction in a similar case. Volkswagen AG consented to the withdrawal of the action. This terminated the litigation without precluding the filing of subsequent lawsuits.

Excluding the United States and Canada and following the withdrawal of various actions, claims in connection with the diesel issue totaling roughly €9.5 billion are currently pending worldwide against Volkswagen AG in the form of investor lawsuits, judicial applications for dunning and conciliation procedures, and claims under the KapMuG. Volkswagen AG remains of the opinion that it duly complied with its capital market obligations. Therefore, no provisions have been recognized for these investor lawsuits at the level of the Volkswagen Group. Contingent liabilities have been disclosed by Volkswagen where Volkswagen's chance of success was estimated to be not less than 10%.

4. Proceedings in the USA/Canada

In the USA and Canada, the matters described in the EPA's notices of violation are the subject of various types of lawsuits and requests for information that have been filed against Volkswagen AG and other Volkswagen Group companies, in particular by customers, investors, salespersons, and various government agencies in Canada and the United States, including the attorneys general of several US states.

The Texas attorney general and some municipalities continue to pursue actions in state and federal courts against Volkswagen AG, Volkswagen Group of America, Inc., and certain affiliates of Volkswagen AG, alleging violations of environmental laws. In January 2022, the Texas Supreme Court granted the February 2021 petition of the State of Texas for review of the Texas appellate court decision that had dismissed the environmental claims of Texas against Volkswagen AG and AUDI AG for lack of personal jurisdiction.

In November 2021, the US Supreme Court denied petitions by Volkswagen requesting that it reviews both a decision by the US Court of Appeals for the Ninth Circuit declining to dismiss certain claims brought by Hillsborough County, Florida, and Salt Lake County, Utah, and a decision by the Ohio Supreme Court declining to dismiss certain claims brought by the State of Ohio.

In the reporting year and in early 2022, Volkswagen settled the environmental claims brought by Montana and New Hampshire (in September 2021), Illinois (in December 2021), and Ohio (in January 2022).

In March 2019, the US Securities and Exchange Commission (SEC) filed a lawsuit against, among others, Volkswagen AG, Volkswagen Group of America Finance, LLC, and VW Credit, Inc., asserting claims under US federal securities law based, among other things, on alleged misstatements and omissions in connection with the offer and sale of certain bonds and asset-backed securities. In August 2020, the US District Court for the Northern District of California granted in part and denied in part Volkswagen's motion to dismiss. The claims dismissed by the court included all claims against VW Credit, Inc. related to asset-backed securities. In September 2020, the SEC filed an amended complaint that, among other things, removed the dismissed claims.

As to private civil law matters, in an environmental class action lawsuit seeking punitive damages on behalf of the residents of the Province of Quebec, after authorizing the case to proceed as a class, a Quebec court ruled in October 2020 that issues raised as to the viability of plaintiffs' damages theory should be deferred until trial. On that basis, the court denied a motion to dismiss by Volkswagen. Subsequently, Volkswagen settled the case. The settlement is subject to court approval, which is currently pending.

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

5. Special audit

In a November 2017 ruling, the Higher Regional Court of Celle ordered, upon the request of three US funds, the appointment of a special auditor for Volkswagen AG. The special auditor is to examine whether the members of the board of management and supervisory board of Volkswagen AG breached their duties in connection with the diesel issue from June 22, 2006 onwards and, if so, whether this resulted in damages for Volkswagen AG. The ruling by the Higher Regional Court of Celle is formally unappealable. However, Volkswagen AG has filed a constitutional complaint with the German Federal Constitutional Court alleging infringement of its constitutional rights. Following the formally unappealable ruling from the Higher Regional Court of Celle, the special auditor appointed by the court indicated that he was not available to conduct the special audit on grounds of age. In April 2020, the Celle Higher Regional Court issued a ruling appointing a different special auditor. Volkswagen AG has filed a constitutional complaint with the Federal Constitutional Court contesting this formally unappealable decision as well on grounds of infringement of its constitutional rights and has suggested joinder of this matter with its initial constitutional complaint against the decision to appoint the special auditor. It is currently unclear when the Federal Constitutional Court will rule on the two constitutional complaints. The constitutional complaints have no suspensory effect.

In addition, a second motion seeking appointment of a special auditor for Volkswagen AG to examine matters relating to the diesel issue has been filed with the Regional Court of Hanover. This proceeding has been stayed pending a decision by the Federal Constitutional Court in the initial special auditor litigation.

6. Damage settlements

At the end of March 2021, the supervisory board of Volkswagen AG announced the completion of the investigation initiated in October 2015 into the causes of and those responsible for the diesel issue. The board resolved to claim damages from Prof. Dr. Martin Winterkorn, former chair of the board of management of Volkswagen AG, and from Rupert Stadler, former member of the board of management of Volkswagen AG and former chair of the board of management of AUDI AG, for breach of their duty of care under stock corporation law. The resolution was based on identified negligent breaches of duty. The investigation found no breaches of duty by other members of the Volkswagen AG board of management. The investigation covered all members of the board of management who were in office during the relevant period. In June 2021, agreements on damage payments were reached in this connection with the goal of achieving speedy, legally certain, and final resolution of the diesel issue as far as the civil liability of members of governing bodies is concerned. To this end, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Dr. Winterkorn and Mr. Stadler respectively in connection with the diesel issue. Prof. Dr. Winterkorn's damage payment amounts to €11.2 million and that of Mr. Stadler to €4.1 million. Volkswagen has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement).

In addition, agreement was reached on damage payments by a former member of Audi's board of management and by a former member of Porsche AG's board of management. One former member of Audi's board of management was unwilling to reach a settlement; legal action is being prepared against him. Claims were already asserted against a former member of the Volkswagen passenger cars brand board of management.

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.

Changes to underlying premises

The estimates and assumptions are based on premises that are derived from the current information available. In particular, the circumstances given when preparing the consolidated financial statements as to the realistic expectations of future development of the global and industry-specific environment were used to estimate the company's future business performance. Future business performance remains associated with great uncertainties. This applies in particular to short and medium-term forecast cash flows as well as the discount rates used. The Porsche SE Group's and the Volkswagen Group's planning is based on the assumption that global economic output will continue to grow in 2022, albeit at a somewhat lower level overall, after the recovery observed in the past fiscal year – provided that the Covid-19 pandemic does not flare up again and that shortages of intermediates and commodities become less intense. Variances from assumptions and estimates at the level of the Volkswagen Group of the expected future business development also have an indirect impact at the level of the Porsche SE Group. Furthermore, at the level of Porsche SE, in particular the outcome of the tax field audit for the assessment periods 2009 to 2013 and the outcome of litigation may cause variances from expectations.

In cases where the actual development differs from the original expectation, the premises, and if necessary the carrying amounts of the assets and liabilities concerned, will be adjusted accordingly. Prior to the date of authorization of the consolidated financial statements by the board of management for submission to the supervisory board, there were no indications that the carrying amounts of the assets and liabilities presented in the consolidated balance sheet would require any significant adjustment. Judgments and estimates of the management included assumptions relating to the development of the Volkswagen Group, macroeconomic development as well as the development of automotive markets that are described in the forecast report as part of Porsche SE's combined management report.

New accounting standards

New or revised standards adopted for the first time in the fiscal year

The accounting policies applied in the consolidated financial statements are in line with the IFRSs adopted by the EU as of 31 December 2021.

In the fiscal year 2021, amendments with regard to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 had to be adopted for the first time. These had no significant impact or no impact on the presentation of the Porsche SE Group's results of operations, financial position and net assets.

Standards and interpretations not applied (published but whose adoption is not yet mandatory or which are not yet applicable in the EU)

Standard or interpretation		Published by IASB	First-time adoption[1]	Adoption by the EU	Expected effects
IAS 1	Classification of liabilities	23/1/2020	1/1/2023	No	No material impact
IAS 1	Disclosure of accounting policies	12/2/2021	1/1/2023	Yes	Adjustments and if applicable reduction in scope to the corresponding explanatory notes.
IAS 8	Definition of accounting estimates	12/2/2021	1/1/2023	Yes	No material impact
IAS 12	Deferred taxes on leases and decommissioning and restoration liabilities	7/5/2021	1/1/2023	No	No material impact
IAS 16	Property, plant and equipment: Proceeds before intended use	14/5/2020	1/1/2022	Yes	No material impact
IAS 37	Provisions: Onerous contracts – cost of fulfilling a contract	14/5/2020	1/1/2022	Yes	No material impact
IFRS 3	Updating a Reference to the conceptual framework	14/5/2020	1/1/2022	Yes	No material impact
IFRS 17	Insurance contracts	18/5/2017[2]	1/1/2023	Yes	No material impact
IFRS 17	Insurance contracts: First-time application of IFRS 17 and IFRS 9 – comparative information	9/12/2021	1/1/2023	No	No material impact
AIP 2018-2020	Improvements of International Financial Reporting Standards 2020 (IFRS 1, IFRS 9, IFRS 16 and IAS 41)	14/5/2020	1/1/2022	Yes	No material impact

[1] Mandatory first-time application with regard to Porsche SE.
[2] On 25 June 2020, the IASB published amendments to IFRS 17 that are to come into force together with the original standard on 1 January 2023.

Early adoption of these amendments is not currently planned.

Notes to the consolidated income statement

[1] Result from investments accounted for at equity

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

€ million	**2021**	2020
Result from ongoing at equity accounting before purchase price allocations	4,659	2,614
Effects from purchase price allocations	–33	–91
Income from first-time at equity accounting of newly acquired shares		127
Result from investments accounted for at equity before impairment and reversal of impairment	4,627	2,649
Reversal of impairment	5	
Impairment		–7
	4,631	**2,642**

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

The change in the result from ongoing at equity accounting is largely attributable to the positive development of the group result after tax of the Volkswagen Group as a result of a strong recovery in revenue and margins. Please refer to the explanations presented in the section “Results of operations of the Volkswagen Group” in the group management report.

In the prior year, Porsche SE acquired 0.2% of the ordinary shares in Volkswagen AG for €81 million via the capital market. This reflects a capital share of around 0.1%. This increased Porsche SE’s shareholding in Volkswagen AG to 53.3% of ordinary shares and 31.4% of subscribed capital. In the prior year, the acquisitions resulted overall in income from first-time at equity accounting of €127 million.

Taking into account the identification and subsequent measurement of hidden reserves and liabilities for the shares held by Porsche SE, the Volkswagen Group reports the following figures:

€ million	VW initial tranche (29.88%) 2021	VW acquisition of shares in FY2015 (0.88%) 2021	VW acquisition of shares in FY2018/19/20 (0.66%) 2021	VW Total 2021
Revenue	250,200	250,200	250,200	-
Total comprehensive income	23,110	23,589	27,837	-
thereof other comprehensive income	7,821	8,867	9,997	-
thereof profit from continuing operations	15,289	14,723	17,839	-
less result attributable to non-controlling interests and hybrid capital investors	–585	–585	–585	-
less effects from additional dividends	–12	–12	–12	-
Result after tax adjusted for at equity accounting	14,692	14,125	17,242	-
Income from first-time at equity accounting of newly acquired shares			0	-
Result from investment in Volkswagen AG accounted for at equity	**4,389**	**124**	**115**	**4,628**

€ million	VW initial tranche (29.88%) 2020	VW acquisition of shares in FY2015 (0.88%) 2020	VW acquisition of shares in FY2018/19 (0.53%) 2020	VW acquisition of shares in FY2020 (0.13%) 2020	VW Total 2020
Revenue	222,884	222,884	222,884	167,830	-
Total comprehensive income	4,652	3,823	−778	−2,405	-
thereof other comprehensive income	−4,016	−4,122	−3,825	−7,133	-
thereof profit from continuing operations	8,668	7,945	3,047	4,728	-
less result attributable to non-controlling interests and hybrid capital investors	−490	−490	−490	−379	-
less effects from additional dividends	−12	−12	−12	−9	-
Result after tax adjusted for at equity accounting	8,165	7,442	2,544	4,339	-
Income from first-time at equity accounting of newly acquired shares				127	-
Result from investment in Volkswagen AG accounted for at equity	**2,439**	**65**	**13**	**133**	**2,651**

[2] Income and expenses from investment valuation

The items income/expenses from investment valuation contain the valuation effects from portfolio companies measured at fair value. Reference is also made in this connection to the explanations in note [19].

[3] Personnel expenses[1]

€ million	2021 Continuing operations	2021 Continuing and discontinued operations	2020 Continuing operations	2020 Continuing and discontinued operations
Wages and salaries	12	71	10	67
Social security contributions	0	7	0	7
Pension and other benefit costs	3	7	3	7
Government grants		–1		–2
	15	**84**	**13**	**80**

The average number of employees during the fiscal year (including discontinued operations) breaks down as follows:

Employees (annual average)	2021	2020
Germany	634	660
Rest of Europe	189	194
North America	19	20
Asia	41	43
Other markets	10	11
Total	**893**	**927**

Of these, 33 employees (32 employees) relate to continuing operations.

[1] Disclosures pursuant to Sec. 314 (1) No. 4 HGB in conjunction with Sec. 315e HGB

[4] Other operating expenses

Other operating expenses consist of:

€ million	2021	2020
Legal and consulting fees	23	21
Other external services	4	4
Sundry other operating expenses	5	6
	32	**32**

Sundry other operating expenses contain expenses for short-term leases, for leases of low-value assets and for variable lease components totaling €1 million (€1 million).

[5] Financial result

The financial result largely contains interest expenses for expected tax backpayments of €3 million (€0 million) as well as, unchanged on the prior year, commitment fees and other finance costs.

[6] Income tax

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

€ million	2021	2020
Current tax	4	0
Deferred tax income/expense	–1	25
thereof related to the origination/reversal of temporary differences	59	28
thereof deferred tax assets on tax loss carryforwards	–60	–4
Income tax expense	**3**	**24**

The current tax expense in the reporting year results from the allocation to provisions for income tax from prior years. This was counterbalanced by deferred tax income (net). This is largely shaped by the higher year-on-year carrying amount of the investment in Volkswagen AG accounted for at equity and as a result the higher deferred tax income from the recognition of deferred taxes on loss carryforwards. In the reporting year, deferred tax liabilities on the higher carrying amount of the investment in Volkswagen AG accounted for at equity were recognized in profit or loss in line with the share of the result from investments accounted for at equity recognized in the consolidated income statement. Explanations on the income tax expense of discontinued operations can be found in note [16].

Previously unused tax losses for which no deferred tax assets were recognized amounted to €1,510 million (€1,708 million). Thereof an amount of €1,510 million (€1,705 million) does not lapse over time.

Furthermore, unused tax losses in connection with discontinued operations, for which no deferred tax assets were recognized, increased by €3 million compared to the prior year. These are not included in the disclosures on the reporting period.

The following reconciliation shows the differences between the expected income tax expense calculated at the group parent company's tax rate of 30.5% (30.5%) and the reported income tax expense:

€ million	**2021**	2020
Result before tax	4,565	2,654
Group tax rate	30.5%	30.5%
Expected income tax expense	**1,392**	**810**
Tax rate related differences		0
Difference in tax base	−1,334	−785
Recognition and measurement of deferred tax	−59	1
Tax relating to other periods	3	−1
Reported income tax expense	**3**	**24**

The item "difference in tax base" mainly relates to the tax exemption or non-deductibility of the result from investments accounted for at equity. The reconciliation item "recognition and measurement of deferred tax" mainly contains deferred tax recognized on previously unrecognized tax losses from prior years of €59 million. The effects relating to other periods primarily result from new findings regarding expected tax burdens for prior years.

	Deferred tax assets		Deferred tax liabilities	
€ million	**31/12/2021**	31/12/2020	**31/12/2021**	31/12/2020
Intangible assets		0	0	23
Investments accounted for at equity			289	193
Other receivables and assets		6	0	3
Unused tax losses	163	104		
Assets classified as held for sale	5		22	
Provisions for pensions	8	10		
Other provisions	3	3		0
Other liabilities	0	2		3
Liabilities associated with assets classified as held for sale	4		5	
Gross value	183	125	317	222
Offsetting	–182	–122	–182	–122
Reclassification	–2	0	–20	0
Carrying amount according to consolidated balance sheet	**0**	**3**	**116**	**100**

The changes in deferred tax assets and liabilities recognized through other comprehensive income can be found in the statement of comprehensive income. In the fiscal year, deferred tax liabilities of €1 million (€1 million) were released directly to equity. All other changes are recognized through profit or loss. The line “reclassification” relates to reclassifications to the items “assets classified as held for sale” or “liabilities associated with assets classified as held for sale” (reference is made to the explanations in note [16]).

Notes to the consolidated balance sheet

[7] Intangible assets and property, plant and equipment

€ million	Goodwill	Capitalized software development costs	Customer base	Brand	Other intangible assets	Intangible assets total	Property, plant and equipment
Historical cost							
As of 1 January 2021	213	50	67	14	6	349	53
Additions		1			0	1	4
Exchange differences					0	0	0
Disposals					−1	−1	−6
Reclassification to “assets held for sale”	−213	−51	−67	−14	−5	−349	−48
As of 31 December 2021					**1**	**1**	**3**
Amortization and depreciation							
As of 1 January 2021	66	23	25	3	5	122	19
Additions		4	6	1	0	11	5
Exchange differences					0	0	0
Disposals					−1	−1	−5
Reclassification to “assets held for sale”	−66	−27	−31	−4	−4	−132	−16
As of 31 December 2021					**0**	**0**	**2**
Carrying amount as of 31 December 2021					**0**	**0**	**1**

Right-of-use assets in connection with land and buildings as well as leased furniture and fixtures are recognized under property, plant and equipment.

€ million	Land and buildings	Furniture and fixtures	Total
Carrying amount			
As of 1 January 2021	23	2	25
Additions	2	1	3
Disposals	−1	0	−1
Depreciation amount in the fiscal year	−3	−1	−5
Exchange differences	0	0	0
Reclassification to “assets held for sale”	−21	−1	−22
As of 31 December 2021		**0**	**0**

€ million	Goodwill	Capitalized software development costs	Customer base	Brand	Other intangible assets	Intangible assets total	Property, plant and equipment
Historical cost							
As of 1 January 2020	213	49	67	14	6	349	51
Additions		0			0	1	4
Exchange differences					0	0	0
Disposals					0	0	−2
As of 31 December 2020	**213**	**50**	**67**	**14**	**6**	**349**	**53**
Amortization and depreciation							
As of 1 January 2020	66	18	18	2	4	107	14
Additions		6	8	1	1	15	7
Exchange differences					0	0	0
Disposals							−2
As of 31 December 2020	**66**	**23**	**25**	**3**	**5**	**122**	**19**
Carrying amount as of 31 December 2020	**147**	**27**	**41**	**11**	**1**	**227**	**34**

Right-of-use assets in connection with land and buildings as well as leased furniture and fixtures were recognized under property, plant and equipment.

€ million	Land and buildings	Furniture and fixtures	Total
Carrying amount			
As of 1 January 2020	25	2	28
Additions	2	1	3
Disposals	−1	0	−1
Depreciation amount in the fiscal year	−3	−1	−5
Exchange differences	0	0	0
As of 31 December 2020	**23**	**2**	**25**

[8] Investments accounted for at equity

The market value of Porsche SE's investment in Volkswagen AG amounts to €40,691 million as of 31 December 2021 (€26,789 million). In the fiscal year, Porsche SE received a dividend from Volkswagen AG of €756 million (€756 million).

The ordinary shares in Volkswagen AG held by Porsche SE serve as collateral equivalent to 150% of the amount drawn if the existing credit facility (with a volume of €1 billion and term until July 2025) is drawn. No financial covenants have been agreed.

Taking into account the identification and subsequent measurement of hidden reserves and liabilities for the shares held by Porsche SE, the Volkswagen Group reports the following figures:

€ million	VW initial tranche (29.88%) 31/12/2021	VW acquisition of shares in FY2015 (0.88%) 31/12/2021	VW acquisition of shares in FY2018/19/20 (0.66%) 31/12/2021	VW Total 31/12/2021
Non-current assets	327,463	352,945	383,588	-
Current assets	200,347	200,347	200,347	-
Non-current liabilities	216,468	225,312	229,972	-
Current liabilities	164,393	164,393	164,393	-
Equity	146,950	163,587	189,570	-
less non-controlling interests and hybrid capital investors	–16,144	–16,144	–16,144	-
less effects from additional dividends	–12	–12	–12	-
Equity adjusted for at equity accounting	130,793	147,431	173,414	-
Carrying amount of the investment in Volkswagen AG accounted for at equity	**39,075**	**1,293**	**1,153**	**41,521**

€ million	VW initial tranche (29.88%) 31/12/2020	VW acquisition of shares in FY2015 (0.88%) 31/12/2020	VW acquisition of shares in FY2018/19 (0.53%) 31/12/2020	VW acquisition of shares in FY2020 (0.13%) 31/12/2020	VW Total 31/12/2020
Non-current assets	300,731	324,444	351,564	351,564	-
Current assets	194,956	194,944	194,944	194,944	-
Non-current liabilities	201,850	209,394	214,778	214,778	-
Current liabilities	165,410	165,410	165,410	165,410	-
Equity	128,427	144,585	166,321	166,321	-
less non-controlling interests and hybrid capital investors	–17,447	–17,447	–17,447	–17,447	-
less effects from additional dividends	–12	–12	–12	–9	-
Equity adjusted for at equity accounting	110,968	127,126	148,861	148,864	-
Carrying amount of the investment in Volkswagen AG accounted for at equity	**33,152**	**1,115**	**790**	**200**	**35,257**

The impairment test for the investment in Volkswagen AG was performed by determining the value in use on the basis of a discounted cash flow method, as the stock market capitalization of the investment as of the reporting date was below the carrying amount of the at equity investment.

As in the prior year, the most recent five-year plan approved by the board of management of Volkswagen AG was used as a basis for determining the value in use. The overall development of the operating result assumed in the impairment test for the fiscal year 2022 corresponds to the range specified by Volkswagen in its forecast report, which indicates an operating return on sales of between 7.0% and 8.5% and a year-on-year increase in revenue for the group of between 8% and 13%. With regard to the entire five-year period, the assumed average annual revenue growth, on the basis of 2021, is in the mid-single-digit percentage range.

The planned revenue growth is based on the assumption that global economic output will continue to grow in 2022, albeit at a somewhat lower level overall, after the recovery observed in the past fiscal year – provided that the Covid-19 pandemic does not flare up again and that shortages of intermediates and commodities become less intense. Volkswagen continues to believe that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects will be negatively impacted by ongoing geopolitical tensions and conflicts, with risks arising especially from the Russia-Ukraine conflict. Both the advanced economies and the emerging markets will experience positive momentum.

It predicts that trends in the markets for passenger cars in the individual regions will be mixed in 2022. Overall, the global volume of new vehicle sales is expected to be moderately up on the prior year, provided that the Covid-19 pandemic does not flare up again and that shortages of intermediates, in particular semiconductors and commodities, become less intense; however, it will not recover to its pre-pandemic level. Growing demand for passenger cars worldwide is expected in the period from 2023 to 2026. Thanks to its brand diversity, its presence in all major world markets, its broad and selectively expanded product range, and its technologies and services the Volkswagen Group is in a good competitive position worldwide.

In the planning period, the planned ratio of capex to revenue in the automotive division is up slightly on the level of the long-term target of around 5%. The investments in plants and models as well as in the development of electrified drives and modular systems create the prerequisites for Volkswagen's profitable and sustainable growth. As regards operating return on sales, a positive development over the course of the planning years is assumed, which is based on the long-term target of the Volkswagen Group of a return on sales of between 8% and 9% by 2025/2026.

An annual growth rate of 1.0% (1.0%) was used to extrapolate the cash flows beyond the detailed planning phase. The sustainable operating return on sales was therefore determined taking into account the operating return on sales generated over the last five fiscal years (before special items), excluding the fiscal year 2020 because of the Covid-19 pandemic and including in its place the fiscal year 2016. A weighted average cost of capital of 8.1% (6.6%) and a pre-tax cost of capital of 10.7% (8.6%) for the investment in Volkswagen AG were used to discount cash flows. This was derived from a peer group analysis and therefore reflects a return on capital that is customary for the industry and commensurate with the risk involved.

The impairment test included a sensitivity analysis of the critical assumptions. This involved analyzing whether an isolated reduction in the sustainable operating return on sales by one percentage point, an isolated reduction of the sustainable annual growth rate to 0% or an isolated increase in the weighted average cost of capital by one percentage point would lead to an impairment of the investment in Volkswagen AG.

The value in use determined in the impairment test is significantly higher than the carrying amount of the investment in Volkswagen AG accounted for at equity. The sensitivity analysis also yielded a value in use that was considerably higher than the carrying amount in all of the scenarios considered. As in the prior year, there was therefore no need to recognize an impairment loss as of 31 December 2021.

The carrying amount of other investments accounted for at equity comes to €6 million (€2 million). In the reporting year, an impairment loss on other investments accounted for at equity of €5 million was reversed. In the prior year, impairment losses of €7 million were recognized on other investments accounted for at equity.

[9] Other financial assets

€ million	31/12/2021			31/12/2020		
	current	non-current	Total	current	non-current	Total
Other financial assets	0	45	45		88	88
Sundry other financial assets	1		1	4	0	5
	1	**45**	**46**	**4**	**88**	**93**

The decrease in other financial assets is largely due to the sale of some shares in a portfolio company (AEVA Inc.). This was counterbalanced by investments in existing and new portfolio companies. Reference is also made in this connection to the explanations in note [19].

[10] Other assets

Other assets break down as follows as of the reporting date:

€ million	31/12/2021			31/12/2020		
	current	non-current	Total	current	non-current	Total
Contract assets				4		4
Deferrals	1	1	1	3	1	5
Sundry other assets	0		0	1	1	3
	1	**1**	**2**	**8**	**2**	**11**

Other assets decreased as of the reporting date as a result of classifying PTV as a discontinued operation as defined by IFRS 5 and the associated reclassifications to the item “assets classified as held for sale” (see note [16]).

[11] Equity

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

Subscribed capital

Unchanged from the figure at the end of the prior year, Porsche SE's subscribed capital totals €306.25 million and continues to be divided into 153,125,000 ordinary shares and 153,125,000 non-voting preference shares which have been fully paid in. Each share represents a €1 notional amount of the subscribed capital. The preference shares carry an additional dividend of 0.6 cents per share in the event of there being net profit available for distribution and a corresponding resolution on a distribution.

Capital reserves

The capital reserves contain additions from share premiums reduced by the transaction costs incurred.

Retained earnings

Retained earnings contain current profits and those earned by the group companies in prior years and not yet distributed as well as part of the equity recognized on a pro rata basis as part of at equity accounting.

Other reserves (OCI)

Other reserves are divided into items to be reclassified to profit or loss in subsequent periods (reclassifiable items) and items that are not to be reclassified to profit or loss in subsequent periods (non-reclassifiable items). Key components of the two items are the accumulated reclassifiable or accumulated non-reclassifiable other comprehensive income in connection with the investments accounted for at equity since their acquisition. The non-reclassifiable items also contain the actuarial losses of the Porsche SE Group from pensions of €16 million (€24 million) as well as the corresponding deferred tax assets of €5 million (€7 million). As in the prior year, the foreign currency translation reserve as a component of reclassifiable items was immaterial as of 31 December 2021. Furthermore, the reclassifiable and non-reclassifiable items contain deferred tax in connection with investments in associates. In the fiscal year, a net amount of €221 million (€28 million) resulting from the accumulated expenses from investments accounted for at equity was reclassified to profit or loss.

Proposal for the appropriation of profit

The separate financial statements of Porsche SE as of 31 December 2021 show a net profit of €824 million (€703 million). With transfers of €41 million to retained earnings (€27 million), the net profit available for distribution comes to €783 million (€676 million). The board of management proposes a resolution for the distribution of a dividend of €2.554 per ordinary share and €2.560 per preference share, i.e., a total distribution of €783 million for the fiscal year 2021. Dividends paid out in the fiscal year 2021 amounted to €2.204 (€2.204) per ordinary share and €2.210 (€2.210) per preference share, in total €676 million (€676 million).

Capital management

The target of capital management at Porsche SE is the continuous increase in enterprise value, securing its liquidity and a return on investment that is commensurate with the risk involved with a view to sustainably protecting the interests of the shareholders and employees and other stakeholders. By means of a systematic investment and financial management system, Porsche SE continually ensures that costs of capital as well as capital structure are optimized.

The Porsche SE Group's total capital, defined for capital management purposes as the sum of equity and financial liabilities, is as follows as of the reporting date:

€ million	**31/12/2021**	31/12/2020
Equity	42,196	35,946
Share of total capital	100%	100%
Non-current financial liabilities	0	23
Current financial liabilities	0	14
Total financial liabilities	0	37
Share of total capital	0%	0%
Total capital	**42,197**	**35,983**

The decrease in current and non-current financial liabilities is attributable to the classification of PTV as a discontinued operation as defined by IFRS 5 and the associated reclassifications to the item "liabilities associated with assets classified as held for sale" (for further details see note [16]).

Earnings per share

Basic earnings per share from continuing operations are calculated by dividing the share of the result from continuing operations of Porsche SE's shareholders by the weighted average number of ordinary and preference shares outstanding during the fiscal year. Basic earnings per share from discontinued operations are calculated by dividing the share of the result from discontinued operations of Porsche SE's shareholders by the weighted average number of ordinary and preference shares outstanding during the fiscal year.

Taking into account the additional dividend for holders of preference shares results in a difference of 0.6 cents between the earnings per ordinary share and earnings per preference share. Since there were no transactions in 2021 and 2020 that had a dilutive effect on the number of shares, diluted earnings per share correspond to the basic earnings per share

[12] Provisions for pensions and similar obligations

The Porsche SE Group provides both defined contribution and defined benefit plans.

In the case of defined contribution plans, the company makes contributions to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the company. Contributions amount to €4 million (€4 million) and were recognized in profit or loss; of this, €4 million (€4 million) related to discontinued operations.

Provisions for pensions and similar obligations are recognized for benefits in the form of retirement, invalidity and dependents' benefits payable under pension plans. The benefits generally depend on the length of service, remuneration and working hours arrangements of the beneficiary employees. The direct and indirect obligations include both current pension obligations and future pension and retirement benefit obligations. In addition, personal retirement capital is accumulated in Germany by way of employee contributions to Porsche VarioRente.

Actuarial assumptions

Pension obligations from continuing and discontinued operations are calculated using actuarial methods based on a discount rate of 1.1% (0.8%) as well as a wage and salary increase of 3.0%, career progress of 0.5%, a pension increase of 1.7% and turnover of 3.0%, all of which unchanged on the prior year. The most recent 2018 G Heubeck mortality tables were used for the calculation.

The carrying amount of pension provisions is derived as follows:

€ million	**2021**	2020
Present value (funded)		6
Present value (unfunded)	42	48
Total present value	42	53
Fair value of plan assets		–1
Provisions for pensions as of 31 December	**42**	**52**

Plan assets relate entirely to PTV. As a result of classifying PTV as a discontinued operation as defined by IFRS 5, the plan assets allocated to PTV are disclosed under the item “liabilities associated with assets classified as held for sale” as of the reporting date” (for further details see note [16]).

Changes in the present value of pension obligations[1]

€ million	**2021**	2020
As of 1 January	53	47
Current service cost	3	3
Past service cost		0
Interest expenses	0	1
Subtotal pension expense recognized through profit or loss[2]	3	3
Actuarial gains (–) and losses (+) arising from changes in demographic assumptions	0	
Actuarial gains (–) and losses (+) arising from changes in financial assumptions	–4	4
Actuarial gains (–) and losses (+) arising from experience adjustments	–4	0
Subtotal revaluations recognized in other comprehensive income	–7	4
Pension payments	–1	–1
Employee contributions	0	0
Reclassification to “liabilities associated with assets classified as held for sale”	–6	
As of 31 December	**42**	**53**

1 The table comprises continuing and discontinued operations.
2 Thereof relating to discontinued operations: €0 million (€0 million)

In the course of sensitivity analyses, changes in individual parameters were assumed with otherwise no change to the assumptions. The discount rate and future salary increases were each increased/decreased by 0.5 percentage points and future pension increases and turnover each increased/decreased by 0.25 percentage points. The effects on the pension provisions ranged from minus €4 million to €5 million (minus €5 million to €6 million) in the reporting period.

The weighted average duration of pension obligations is 21 years (21 years). The cash outflow of pension provisions is expected to amount to €1 million (€1 million) within the next year, €4 million (€5 million) in a period of between one and five years and €37 million (€48 million) in a period of more than five years.

[13] Other provisions

	31/12/2021			31/12/2020		
€ million	current	non-current	Total	current	non-current	Total
Provisions for bonuses and personnel costs	5	1	6	7	1	8
Provisions for costs of litigation	13	29	42	15	22	37
Sundry other provisions	14		14	13	2	15
	31	**30**	**61**	**34**	**25**	**59**

The amount reported for provisions for costs of litigation represents the expected amount to be paid for all litigation in which Porsche SE is involved directly or indirectly. They have been set up at the amount of attorneys' fees and litigation expenses (reference is made to the description of the litigation underlying these provisions in note [20]). The provision amounts and timing of the outflows are based on estimations that are continuously rolled forward and adjusted when needed.

Sundry other provisions primarily contain provisions for takeover obligations in connection with the contribution of the holding business operations of Porsche SE to Volkswagen AG in the fiscal year 2012 (reference is made to the explanations in note [22]).

The cash outflow for all non-current other provisions is expected within a period of between one and five years.

Other provisions developed as follows:

€ million	As of 1/1/2021	Additions	Utilization	Reversal	Reclassification	**As of 31/12/2021**
Provisions for bonuses and personnel costs	8	11	−8	0	−4	6
Provisions for costs of litigation	37	17	−10	−1	−1	42
Sundry other provisions	15	7	−4	−1	−4	14
	59	**35**	**−22**	**−2**	**−9**	**61**

The effects of unwinding the discount on provisions were immaterial in the fiscal year 2021 as they had been in the prior year.

The column reclassification primarily relates to reclassifications to the item “liabilities associated with assets classified as held for sale” (reference is made to the explanations in note [16]).

[14] Financial liabilities

Financial liabilities are measured at amortized cost and break down as follows:

€ million			**31/12/2021**			31/12/2020
	current	non-current	Total	current	non-current	Total
Lease liabilities	0	0	0	4	22	26
Liabilities to banks				11	1	11
	0	**0**	**0**	**14**	**23**	**37**

The decrease in current and non-current financial liabilities is attributable to reclassifications to the item “liabilities associated with assets classified as held for sale” (reference is made to the explanations in note [16]).

[15] Other liabilities

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

€ million	31/12/2021 current	31/12/2021 non-current	31/12/2021 Total	31/12/2020 current	31/12/2020 non-current	31/12/2020 Total
Advance payments received on account of orders				4		4
Contract liabilities				21		21
Sundry other liabilities	4		4	12	0	12
	4		**4**	**37**	**0**	**37**

The decrease in other liabilities is attributable to reclassifications to the item “liabilities associated with assets classified as held for sale” (reference is made to the explanations in note [16]).

[16] Discontinued operations

The business operations of PTV are classified as discontinued operations (see section “Changes in the reporting period”). The result from discontinued operations breaks down as follows:

€ million	**2021**	2020
Revenue	116	107
Expenses	–110	–114
Result before financial result	**6**	**–7**
Financial result	–1	–1
Result before tax from discontinued operations	**5**	**–8**
Income tax	–2	2
Result after tax from discontinued operations	**3**	**–7**
thereof attributable to shareholders of Porsche SE	3	–7

Intangible assets and property, plant and equipment have no longer been amortized/depreciated since 30 September 2021. There was no need to recognize an impairment loss identified in connection with classification pursuant to IFRS 5.

As of 31 December 2021, the main groups of assets and liabilities classified as held for sale break down as follows:

€ million	2021
Assets	
Intangible assets	218
Property, plant and equipment	33
Trade receivables	18
Other assets	22
Cash, cash equivalents and time deposits	25
Assets classified as held for sale	**316**
Liabilities	
Trade payables	3
Financial liabilities	25
Deferred tax liabilities	20
Other liabilities	61
Liabilities associated with assets classified as held for sale	**109**
Amounts recognized in cumulative other comprehensive income	
Remeasurement of pensions	–1
Deferred tax on remeasurements of pensions	0
Currency translation	0
Reserve of disposal group classified as held for sale	**–1**

Other liabilities primarily include contract liabilities as defined by IFRS 15 of €26 million, other provisions of €9 million, provisions for pensions and similar obligations of €5 million as well as advance payments received on account of orders of €5 million.

Other notes

[17] Notes to the consolidated statement of cash flows

In the statement of cash flows, cash flows are divided into cash inflows and outflows from operating, investing and financial activities separately for discontinued and continuing operations, regardless of how the balance sheet is presented.

Cash inflows and outflows from operating activities are derived indirectly, starting from the result after tax. Therefore, all non-cash expenses and income, mainly the result from investments containing the result from investments accounted for at equity as well as the income and expenses from investment valuation, are eliminated from the result after tax and adjusted for changes in other operating assets and liabilities. Interest paid and received as well as income taxes are disclosed separately. Cash inflows from dividends are also a component of the cash inflows from operating activities. In connection with the capitalized refund claims from tax field audits for the assessment periods 2009 to 2013 as well as the related interest on tax refunds, income taxes of €32 million as well as interest of €17 million were recognized with cash effect in the prior year.

Cash outflows from investing activities primarily include cash received of €51 million from the sale of some shares in a portfolio company (AEVA Inc.). This was counterbalanced by cash paid in connection with the acquisition of investments and participation in subsequent financing rounds at existing investments totaling €23 million (€2 million), the investment of time deposits of €28 million (€104 million) as well as purchases of other securities of €3 million (sales of €3 million). The comparative figure for the prior-year period also contained cash paid of €81 million for the acquisition of further ordinary shares in Volkswagen AG.

As in the prior year, the cash outflows from financing activities in particular concern cash outflows from dividend payments.

The financial liabilities from financing activities developed as follows:

€ million	As of 1/1/2021	Changes in cash	Non-cash changes	Reclassification	**As of 31/12/2021**
Financial liabilities	37	−11	0	−25	0

€ million	As of 1/1/2020	Changes in cash	Non-cash changes	Reclassification	As of 31/12/2020
Financial liabilities	40	−4	2		37

The reclassification column relates to reclassifications to the item “liabilities associated with assets classified as held for sale” (reference is made to the explanations in note [16]).

Cash and cash equivalents according to the statement of cash flows correspond to the cash and cash equivalents presented in the balance sheet and contain bank balances including short-term time deposits with an original term of up to three months.

The statement of cash flows contains €6 million (€5 million) in total for the total cash outflows from leases, of which €1 million (€1 million) relates to continuing operations.

[18] Segment reporting

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

The majority of the shares in PTV were sold in January 2022 as part of Porsche SE's commitment to systematically developing its investment strategy further. The central elements of this strategy include partnering with renowned investors. Until 30 September 2021, the business of PTV formed the business segment ITS, which comprised the development of smart software solutions for transport logistics, traffic planning and traffic management. Since then, PTV has been classified as a discontinued operation as defined by IFRS 5, and therefore no longer constitutes a business segment as defined by IFRS 8. In connection with this, internal management and reporting were further developed along Porsche SE's investment strategy. As chief operating decision maker, the board of management of Porsche SE now uses the areas "core investment" as well as "portfolio investments" and their contribution to the result after tax as the basis for management and resource allocation. Porsche SE's holding operations, comprising Porsche SE's corporate functions, including the holding financing function, are all allocated to the "core investment".

The segment reporting of Porsche SE is based on the internal management and reporting within the Porsche SE Group and from now reports the two segments "core investment" and "portfolio investments". These two segments combined previously formed the "PSE" segment. The assets and liabilities of the ITS segment, which has been classified as a discontinued operation as defined by IFRS 5 at Porsche SE since 30 September 2021, are allocated to the portfolio investments segment.

The methods mentioned in the "Accounting policies" section apply to the segment reporting, which follows the presentation in the consolidated income statement that was changed in the reporting period. The group carrying amounts are the aggregate of the two segments. The prior-year comparative figures have been adjusted accordingly.

Reporting segments 2021:

€ million	Core investment	Portfolio investments	**Group 31/12/2021**
Result from investments accounted for at equity	4,628	3	4,631
Income from investment valuation		5	5
Expenses from investment valuation		−22	−22
Result from investments	**4,628**	**−13**	**4,615**
Other operating income	6	0	6
Personnel expenses	−15		−15
Amortization and depreciation	−1		−1
Other operating expenses	−32	0	−32
Result before financial result	**4,585**	**−13**	**4,572**
Finance costs	−6		−6
Other financial result	−1		−1
Result before tax	**4,579**	**−13**	**4,565**
Income tax	−4	1	−3
Result after tax from continuing operations	**4,575**	**−12**	**4,563**
Non-cash expenses (–) and income (+)	4,613	−12	4,601
Segment assets	42,167	367[1]	42,533
thereof from investments accounted for at equity	41,521	6	41,527
thereof additions to non-current assets[2]	1	7[3]	8
Segment liabilities	227	110[1]	337

[1] Including assets and liabilities from discontinued operations of €316 million and €109 million, respectively.
[2] With the exception of financial instruments, deferred tax assets, assets from defined benefit plans and rights from insurance contracts.
[3] Additions to non-current assets relate to discontinued operations.

All non-current assets in the “core investment” segment are located/held entirely in Germany. The investments contained in the “portfolio investments” segment are based in the USA, Germany and Israel.

Reporting segments 2020:

€ million	Core investment	Portfolio investments	Group 31/12/2020
Result from investments accounted for at equity	2,651	–9[1]	2,642
Income from investment valuation		59	59
Result from investments	**2,651**	**50**	**2,700**
Other operating income	4	0	4
Personnel expenses	–13		–13
Amortization and depreciation	–1		–1
Other operating expenses	–31	0	–32
Result before financial result	**2,609**	**50**	**2,658**
Finance costs	–3		–3
Other financial result	–1		–1
Result before tax	**2,605**	**50**	**2,654**
Income tax	–24	0	–24
Result after tax from continuing operations	**2,580**	**50**	**2,630**
Non-cash expenses (–) and income (+)	2,623	50	2,673
Segment assets	35,827	424[2]	36,250
thereof from investments accounted for at equity	35,257	2	35,259
thereof additions to non-current assets[3]	0	4[4]	5
Segment liabilities	188	116[2]	305

1 The result accounted for at equity contains impairment losses of €8 million
2 Including assets and liabilities of PTV of €334 million and €115 million, respectively.
3 With the exception of financial instruments, deferred tax assets, assets from defined benefit plans and rights from insurance contracts.
4 Additions to non-current assets relate to PTV.

All non-current assets in the “core investment” segment are located/held entirely in Germany. The investments contained in the “portfolio investments” segment are based in the USA and Israel.

[19] Financial risk management and financial instruments

1 Financial risk management principles

The principles and responsibilities for managing the risks are generally defined by the board of management and monitored by the supervisory board. The same applies in particular to risks that could arise from financial instruments. As part of operational risk management, processes were defined in particular to govern ongoing monitoring of the liquidity situation of the Porsche SE Group, of the enterprise value of Volkswagen AG, the portfolio investments, of the cash investments and of the developments on the capital markets. This also includes monitoring any concentrations of risk within the Porsche SE Group. The risks are identified, evaluated, managed, monitored and documented using suitable information systems. The guidelines and the supporting systems are checked regularly and brought into line with current market developments.

For further details on risk management and on risks relating to financial instruments, reference is made to the “Opportunities and risks of future development” section in Porsche SE’s group management report.

2 Credit and default risk

The credit and default risk arising from financial assets involves the risk of default by counterparties, and therefore comprises at a maximum the amount of the carrying amounts recognized.

Cash and cash equivalents, time deposits, securities are invested and, if necessary, derivative financial instruments are concluded, with different counterparties in Germany and abroad in order to spread risk. Furthermore, various measures are taken as needed, such as obtaining hold harmless agreements.

At the Porsche SE Group, the expected credit loss model under IFRS 9 is generally applied consistently to all financial assets and other risk exposure. In particular, all financial assets measured at amortized cost are subject to the general approach provided there is no objective evidence of impairment upon initial recognition. The general approach divides the financial assets into three risk provisioning levels. Level 1 comprises financial assets that are recognized for the first time or do not show any significant increase in the probability of default. This level involves calculating anticipated bad debts for the next twelve months. Level 2 comprises financial assets that show a significant increase in the probability of default. Level 3 comprises financial assets that already show objective evidence of default. These two levels involve calculating anticipated bad debt for the entire term.

At the Porsche SE Group, the impairment model pursuant to IFRS 9 applies to assets with a total carrying amount of €642 million (€578 million).

Financial assets measured at amortized cost at the Porsche SE Group largely comprise cash and cash equivalents, securities and time deposits. The time deposits have a weighted average original maturity of eleven months. These financial instruments are allocated to risk provisioning level 1.

There are no significant impairment losses that need to be recognized.

3 Liquidity risk

The Porsche SE Group needs sufficient liquidity to meet its financial obligations.

The solvency and liquidity of the Porsche SE Group is continuously monitored by means of liquidity planning. Solvency and liquidity are additionally secured by a cash liquidity reserve and guaranteed credit lines. The credit lines amount to €1,000 million as of the reporting date (€1,026 million).

The following overview shows the contractual undiscounted cash outflows from financial liabilities:

€ million	Remaining contractual maturities within 1 year	in 1 to 5 years	more than 5 years	Total
31/12/2021				
Non-current financial liabilities (only lease liabilities)	0	0		0
Trade payables	2			2
Current financial liabilities (only lease liabilities)	0			0
Current other financial liabilities	3			3
	5	**0**		**5**
31/12/2020				
Non-current financial liabilities (without lease liabilities)	0	1		1
Non-current financial liabilities (only lease liabilities)	0	11	14	25
Non-current other financial liabilities		0	0	0
Trade payables	5			5
Current financial liabilities (without lease liabilities)	11			11
Current financial liabilities (only lease liabilities)	4			4
Current other financial liabilities	12			12
	33	**11**	**14**	**58**

There are no significant concentrations of risk that are not evident from the notes to the financial statements and management report.

4 Market risk

The Porsche SE Group is exposed to interest rate, stock price and currency risks in the course of its general business activities. There are no significant concentrations of risk that are not evident from the notes to the financial statements and management report.

4.1 Interest rate and stock price risks

Interest rate risks generally result from changes in market interest rates and affect the fair value of fixed-interest time deposits and securities, financial receivables and liabilities as well as the interest of floating-rate assets and liabilities. Stock price risks arise from fluctuations in market prices.

Effects of the interest rate and stock price risk on the result or on equity stem in particular from investments whose equity instruments are listed or whose fair value is derived from listed securities, the development of which in turn depends exclusively on these equity instruments.

For portfolio investments whose equity instruments are listed, the share prices observable on the market are monitored and regularly marked to market. Changes in market values due to the volatility of share prices fully affect the group result of Porsche SE as a result of accounting for equity instruments through profit or loss.

4.2 Foreign currency risk

The Porsche SE Group is not exposed to any significant risks from exchange rate fluctuations in its operating activities.

5 Measurement of financial instruments

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

	31/12/2021				
	Measured at fair value through profit or loss	Measured at amortized cost		Not assigned to any measurement category	Balance sheet item
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	
Non-current assets					
Investments accounted for at equity	n/a	n/a	n/a	41,527	41,527
Other financial assets	45	n/a	n/a	n/a	45
Current assets					
Other financial assets	n/a	1	1	n/a	1
Securities	n/a	145	145	n/a	145
Time deposits	n/a	225	225	n/a	225
Cash and cash equivalents	n/a	271	271	n/a	271
Non-current liabilities					
Financial liabilities	n/a	n/a	n/a	0	0
Current liabilities					
Trade payables	n/a	2	2	n/a	2
Financial liabilities	n/a	n/a	n/a	0	0
Other financial liabilities	n/a	3	3	n/a	3

	31/12/2020				
	Measured at fair value through profit or loss	Measured at amortized cost		Not assigned to any measurement category	Balance sheet item
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	
Non-current assets					
Investments accounted for at equity	n/a	n/a	n/a	35,259	35,259
Other financial assets	88	0	0	n/a	88
Current assets					
Trade receivables	n/a	18	18	n/a	18
Other financial assets	n/a	4	4	n/a	4
Securities	48	95	95	n/a	143
Time deposits	n/a	197	197	n/a	197
Cash and cash equivalents	n/a	259	259	n/a	259
Non-current liabilities					
Financial liabilities	n/a	1	1	22	23
Other financial liabilities	n/a	0	0	n/a	0
Current liabilities					
Trade payables	n/a	5	5	n/a	5
Financial liabilities	n/a	11	11	4	14
Other financial liabilities	n/a	12	12	n/a	12

The allocation of fair value to the various levels is based on the availability of observable market data on an active market. Level 1 presents the fair values of financial instruments where a market price on active markets can be determined. Level 2 presents the fair value of financial instruments for which market data are directly or indirectly observable. In particular, yield curves, index and currency rates or market prices of listed securities whose performance depends exclusively on the financial instrument being valued are used as significant parameters. The presented fair values of the assets are determined using pricing methods or present value methods. Fair values of financial instruments in level 3 are determined using inputs that are not based on observable market data. The carrying amount of current assets and current liabilities not measured at fair value through profit or loss provides a reasonable approximation of their fair value. Transfers between the levels are taken into account on the respective reporting dates.

The following overview contains the breakdown of the financial instruments measured at fair value by level:

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

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

In the non-current other financial assets, reclassifications of €14 million (€0 million) were made from level 3 to level 1 and reclassifications of €2 million (€0 million) from level 2 to level 1 as of the reporting date as a result of initial public offerings ("IPOs") of two portfolio companies in the reporting period and therefore market prices from active markets being available. In addition to that an amount of €72 million was reclassified from level 3 to level 2 in the prior year.

In the prior year at the end of the reporting period, an amount of €3 million was transferred from level 2 to level 1 for securities recognized at fair value through profit or loss on account of the transition of the measurement logic from observable market data to market prices; this was offset by transfers from level 1 to level 2 of €1 million.

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

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

€ million	**2021**	2020
Fair value as of 1 January	16	27
Profit recognized through profit or loss	5	59
Investments	22	2
Reclassification from level 3	–14	–72
Fair value as of 31 December	**29**	**16**

The net gains or losses of the respective measurement categories are as follows:

€ million	**2021**	2020
Financial assets measured at fair value through profit or loss (FVtPL)	–17	57
Liabilities measured at fair value through profit or loss (FVtPL)		0
Financial assets measured at amortized cost (FAAC)	0	–2
Financial liabilities measured at amortized cost (FLAC)	0	–1
	–17	**54**

Net gains or losses from financial assets measured at fair value through profit or loss primarily result from the measurement of shares in portfolio investments at fair value. These are recognized in the consolidated income statement under the items income/expenses from investment valuation. Net gains or losses from assets measured at fair value through profit or loss contain unrealized gains of €5 million (€59 million) and unrealized losses of €2 million (€0 million).

[20] Contingent liabilities from legal disputes

For several years, Porsche SE has been involved in various legal proceedings. The assessment of Porsche SE regarding the actions pending as of 31 December 2021 is presented below. For all proceedings, provisions had so far been recognized exclusively for the expected attorneys' fees and litigation expenses but not for the underlying matters in dispute as the litigants' prospect of success is estimated to be below 50%. Due to the complexity of the underlying matters and legal issues, the financial impact presented below is done so in the amount of the claims for damages asserted.

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

A model case according to the Capital Markets Model Case Act (KapMuG) against Porsche SE initiated by an order of reference of the Regional Court of Hanover dated 13 April 2016 is pending with the Higher Regional Court of Celle. Subject of those actions are alleged damage claims based on alleged market manipulation and alleged inaccurate information in connection with Porsche SE's increase of the investment in Volkswagen AG. In part these claims are also based on alleged violations of antitrust regulations. In the six initial proceedings suspended with reference to the model case, a total of 40 plaintiffs are asserting alleged claims for damages of about €5.4 billion (plus interest). Since the beginning of the model case, several hearings have already been held before the Higher Regional Court of Celle, in which the court, inter alia, explained its preliminary view on the state of affairs and of the dispute. The next hearings are scheduled to begin on 28 April 2022. Porsche SE is of the opinion that the claims asserted in the suspended initial proceedings are without merit and that the requested establishment objectives in the model case will be rejected. Porsche SE considers its opinion endorsed by the previous development of the oral hearing before the Higher Regional Court of Celle.

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

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

Legal proceedings and legal risks in connection with the diesel issue

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

Before the Regional Court of Stuttgart 204 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 €789.9 million (plus interest) and in part establishment of liability for damages. 24 claims for damages against Porsche SE, with a claim volume (according to the current assessment of the partially unclear head of claims) of approximately €8.3 million (plus interest), are pending before the Regional Court of Braunschweig. A number of the proceedings pending before the Regional Court of Stuttgart and the Regional Court of Braunschweig are currently suspended with reference to the KapMuG proceedings pending before the Higher Regional Court of Stuttgart and the Higher Regional Court of Braunschweig. Porsche SE considers the actions filed against it before the Regional Court of Stuttgart to be without merit. The actions filed against Porsche SE before the Regional Court of Braunschweig are considered by Porsche SE to be inadmissible and to be without merit.

In addition, three further proceedings, in which a total of further approximately €288 million (plus interest) in damages was claimed, are pending before the Higher Regional Court of Stuttgart on appeal. In two of the appeal proceedings in which a total of approximately €164 million (plus interest) in damages was claimed, the Regional Court of Stuttgart had granted the actions in the amount of approximately €47 million (plus interest) and otherwise dismissed the actions on 24 October 2018. Porsche SE and the respective plaintiffs filed appeals. In one of the proceedings, after oral hearing, the announcement of a decision has been scheduled for 31 March 2022. 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 €124 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, is pending before the Higher Regional Court of Stuttgart. On 22 October 2020, the Higher Regional Court of Stuttgart appointed a model case plaintiff. Until now, three oral hearings have taken place before the Higher Regional Court of Stuttgart. The next hearing is scheduled for 13 July 2022. Further oral hearings are currently not determined.

Following corresponding orders to suspend the proceedings by the Regional Court of Braunschweig and the courts of Stuttgart, Porsche SE became a further model case defendant in the model case proceedings before the Higher Regional Court of Braunschweig. The Higher Regional Court of Braunschweig issued a meanwhile binding partial model case ruling regarding questions of jurisdiction. Several oral hearings have taken place before the Higher Regional Court of Braunschweig. The next oral hearing is set to take place on 26 April 2022.

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

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

In connection with the diesel issue, in April 2021, two plaintiffs filed a derivative action against Porsche SE, current and former members of the management and supervisory boards of Volkswagen AG, current and former executives of Volkswagen AG and its subsidiaries, four Volkswagen AG subsidiaries and others in the Supreme Court of the State of New York, County of New York. The plaintiffs claim to be shareholders of Volkswagen AG and allege claims of Volkswagen AG on its behalf. The action is based, inter alia, on an alleged violation of duties vis-à-vis Volkswagen AG pursuant to the AktG [“Aktiengesetz”: German Stock Corporation Act] and the German Corporate Governance Code (DCGK). The plaintiffs request, inter alia, a declaration that the defendants have breached their respective duties vis-à-vis Volkswagen AG, and an award to Volkswagen AG as compensation for the alleged damages it sustained as a result of the alleged violation of duties, plus interest. In September 2021, the parties filed a stipulation, which is subject to court approval, accepting service on behalf of certain defendants including Porsche SE, staying all discovery and setting a motion to dismiss briefing schedule.

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

So-called status proceedings were initiated against Porsche SE before the Regional Court of Stuttgart. With applications dated 11 July 2021 and 18 July 2021, the applicant has asked the court to find that Porsche SE’s supervisory board is to be composed of half shareholder representatives and half employee representatives. Porsche SE considers this application to be inadmissible and without merit.

There were no other significant changes in the reporting period. In particular, Porsche SE continues not to have reliable findings or assessments that would lead to a different evaluation of the legal risks.

[21] Contingent assets

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. In the course of the contribution of the business operations in the fiscal year 2012, the tax obligations of Porsche SE and its subsidiaries for the period to until 31 July 2009 were not transferred to Volkswagen AG. Any offsetting tax relief at a later stage at the level of Porsche Holding Stuttgart GmbH, Porsche AG or the subsidiaries concerned at the Porsche AG Group cannot be recognized in the consolidated financial statements of Porsche SE, as these companies no longer belong to the group of fully consolidated subsidiaries of the Porsche SE Group in accordance with IFRS regulations. These incur instead at the level of the Volkswagen Group. In connection with the business contribution, Volkswagen AG agreed in principle to refund to Porsche SE 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 until 31 July 2009. In return, under certain circumstances Porsche SE holds Porsche Holding Stuttgart GmbH, Porsche AG and their legal predecessors harmless from tax disadvantages that exceed the obligations from periods up until and including 31 July 2009 recognized at the level of these entities. If the total tax benefits exceed the total tax disadvantages, Porsche SE has a claim against Volkswagen AG to payment of the amount by which the tax benefits exceed the tax disadvantages. The amount of tax benefits and tax disadvantages to be taken into account is regulated in the contribution agreement. The risks arising at the level of Porsche SE, for which provisions were recognized in prior years and payments were made, will in some cases lead to tax benefits at the Volkswagen Group that are expected to partly compensate the tax risks of Porsche SE. However, the provisions in the contribution agreement do not cover all matters and thus not all tax risks of Porsche SE from the tax field audits for the assessment periods 2006 to 2009. It will therefore not be possible to reasonably determine any potential refund claim until the tax field audit has been completed for the 2009 assessment period, and accordingly no claims were recognized as assets in the consolidated financial statements. Based on the findings of the completed tax field audit for the assessment periods 2006 to 2008 and the information available for the assessment period 2009 when these consolidated financial statements were issued for publication, it is estimated that Porsche SE has a claim for compensation against Volkswagen AG in the low triple-digit million-euro range. Future findings and legal changes may lead to an increase or decrease in the possible compensation claim.

[22] Related parties

In accordance with IAS 24, transactions and relationships with third parties which are in control of or controlled by the Porsche SE Group must be disclosed. Pursuant to a consortium agreement, the Porsche and Piëch families have direct and indirect control respectively of the parent company Porsche SE.

The disclosure requirements under IAS 24 also extend to persons who have the power to exercise significant influence over the entity, i.e., who have the power to participate in the financial and operating policies of the entity, but do not control it. In the fiscal year 2021 and in the comparative period, this concerns members of the supervisory board and the board of management of Porsche SE as well as their close family members.

The disclosure requirements pursuant to IAS 24 also include persons and entities over which the Porsche SE Group can exercise a significant influence. In the reporting period and the comparative period, Porsche SE exercised in particular significant influence over the Volkswagen Group.

The table below contains the receivables and liabilities contained in the balance sheet as of the reporting date as well as the supplies and services rendered and received and other income and expenses for the fiscal year resulting from business transactions between the Porsche SE Group and its related parties:

	Supplies and services rendered and other income		Supplies and services received and other expenses	
€ million	**2021**	2020	**2021**	2020
Porsche and Piëch families	0	0		
Associates	4	0	7	5
	4	**1**	**7**	**5**

	Receivables		Liabilities	
€ million	**31/12/2021**	31/12/2020	**31/12/2021**	31/12/2020
Porsche and Piëch families	0	0		
Associates	0	0	10	13
	0	**0**	**10**	**13**

The table above does not contain the dividends of €756 million (€756 million) received from Volkswagen AG.

As in the prior year, service transactions were primarily with the Volkswagen Group in the reporting year. Supplies and services rendered and other income primarily contain income related to software and consulting that are allocated to the discontinued operations. Furthermore, a liability was derecognized through profit or loss in the reporting year stemming from the statute of limitations on assessment coming into force in the meantime. This liability was recognized in connection with the contribution of the holding business operations of Porsche SE to Volkswagen AG and therefore for Porsche Holding Stuttgart GmbH being held harmless for half of the amount of the real estate transfer tax. The real estate transfer tax had originally been triggered as a result of a merger prior to the contribution. Supplies and services received and other expenses in the reporting period mainly consisted of services and software as well as the provision of vehicles. Services received as well as expenses of €3 million (€2 million) relate to the discontinued operations. Liabilities mainly comprise obligations in connection with the contribution of the holding business operations of Porsche SE to Volkswagen AG in the fiscal year 2012 (hereinafter also referred to as "contribution" or "business contribution").

The following agreements were entered into by Porsche SE, Volkswagen AG and entities of the Porsche Holding Stuttgart GmbH Group in connection with the contribution and the basic agreement prior to that as well as the associated agreements implementing it, which continued to be valid:

Volkswagen AG has agreed to hold Porsche SE harmless for internal purposes from any claims of the German Deposit Protection Fund after Porsche SE issued a hold harmless declaration to the deposit guarantee fund agency as required by the Association of German Banks in August 2009. In addition, Volkswagen AG has undertaken to hold the Deposit Protection Fund harmless from any losses incurred as a result of its actions in favor of a majority-owned bank.

Under the contribution agreement, Porsche SE in certain circumstances 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. In turn, Volkswagen AG has generally undertaken to transfer any tax advantages of Porsche Holding Stuttgart GmbH, Porsche AG or their legal predecessors and subsidiaries for assessment periods up until and including 31 July 2009 to Porsche SE (reference is made to the section "Contingent assets").

Within the scope of the basic agreement, Porsche SE and Volkswagen AG had granted each other put and call options relating to the 50.1% share in Porsche Holding Stuttgart GmbH remaining at Porsche SE prior to the contribution of its holding business operations to Volkswagen AG. Both Volkswagen AG (in the event that it exercises its call options) as well as Porsche SE (in the event that it exercises its put options) had both agreed to bear any tax expenses arising from exercising the options and from any downstream measures with respect to the investments in Porsche Holding Stuttgart GmbH (e.g., from back taxes on the 2007 and/or 2009 spin-off). If Volkswagen AG, Porsche Holding Stuttgart GmbH, Porsche AG or their respective subsidiaries had enjoyed tax benefits as a result of subsequent taxation of the 2007 and/or 2009 spin-off, the purchase price payable by Volkswagen AG for the transfer of the remaining 50.1% share in Porsche Holding Stuttgart GmbH would have increased by the present value of the tax benefits if Porsche SE had exercised its put options. This rule was taken over in the course of the contribution agreement to the extent that Porsche SE has a payment claim against Volkswagen AG equivalent to the present value of the recoverable tax benefits as a result of back tax payments on the 2007 spin-off owing to the contribution. In connection with the contribution it was also agreed that Porsche SE would release Volkswagen AG, Porsche Holding Stuttgart GmbH and its subsidiaries from any tax liability with respect to subsequent taxation in 2012 resulting from any action or omission by Porsche SE upon or subsequent to the execution of the contribution. Also in that event, Porsche SE has a payment claim against Volkswagen AG in the amount of the present value of the recoverable tax benefits resulting from such a transaction at the level of Volkswagen AG or one of its subsidiaries.

In connection with the contribution of the holding business operations of Porsche SE to Volkswagen AG, additional agreements were concluded and declarations submitted, which primarily include:

- Porsche SE under certain circumstances holds its subsidiaries transferred under the contribution agreement, Porsche Holding Stuttgart GmbH and Porsche AG and its subsidiaries, harmless from certain obligations towards Porsche SE pertaining to the period up to and including 31 December 2011 and that go beyond the obligations recognized for these entities for this period.

- In addition, Porsche SE holds Volkswagen AG, Porsche Holding Stuttgart GmbH, Porsche AG and their subsidiaries harmless from half of the amount of the tax (with the exception of income tax) arising at their respective levels in connection with the contribution and that would not have been incurred had the call options been exercised for the shares in Porsche Holding Stuttgart GmbH remaining at Porsche SE prior to the contribution. Accordingly, Volkswagen AG holds Porsche SE harmless for half the amount of such tax incurred there.

- It was also agreed to allocate based on causation any subsequent VAT receivables and/or VAT liabilities from transactions up to 31 December 2009 between Porsche SE and Porsche AG.

- Various information, conduct and cooperation duties were agreed in the contribution agreement between Porsche SE and the Volkswagen Group.

The following benefits and payments were recorded for the board work of the members of the board of management and the supervisory board of Porsche SE:

€ million	**2021**	2020
Short-term employee benefits	3	4
Post-employment benefits	1	1
Other long-term benefits	1	1
	4	**6**

Post-employment benefits contain additions to the pension provisions. Other long-term benefits concern the addition to provisions for the long-term component of the variable incentive of the members of the board of management of Porsche SE.

As of the end of the fiscal year, the outstanding balances for the remuneration of active members of Porsche SE’s board of management and supervisory board amounted to €8 million (€7 million).

[23] Remuneration of the board of management and the supervisory board[1]

The total remuneration of members of Porsche SE’s board of management amount to €3 million in the fiscal year 2021 (€4 million).

Remuneration for former board of management members amount to €0 million (€1 million).

The provisions for post-employment benefits recognized for former members of the board of management amount to €3 million (€5 million) as of the reporting date.

The total remuneration of the supervisory board for fiscal year 2021 amounts to €1 million (€1 million).

[1] Disclosure pursuant to Sec. 314 (1) No. 6a Sentence 1 to 4, 6b HGB in conjunction with Sec. 315e HGB

[24] Auditor's fees

The auditor's fees charged by the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Stuttgart branch, for the fiscal year in accordance with Sec. 314 (1) No. 9 HGB break down as follows:

€ thousand	**2021**	2020
Audit of financial statements services	739	676
Other services	47	
	786	**676**

Other services relate to the business audit of the migration from ERP SAGE 100 to SAP Business ByDesign.

[25] Subsequent events

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

According to the current status of the talks, in the event of an IPO, the share capital of Porsche AG would be divided into 50% preference shares and 50% ordinary shares and, in the course of a possible IPO, approximately 25% of the preference shares would be placed on the capital market. In connection with a possible IPO, Porsche SE would acquire 25% plus one share of the ordinary shares of Porsche AG from Volkswagen AG for the placement price of the preference shares plus an additional premium of 7.5%. With the positive support of a possible IPO of Porsche AG, Porsche SE is supporting the plans of Volkswagen AG to expand the financial flexibility of Volkswagen AG and increase the entrepreneurial opportunities of Porsche AG. Volkswagen AG would still include Porsche AG in its consolidated financial statements by way of full consolidation following the implementation of an IPO, while in the future Porsche SE would include the shares in Porsche AG in the consolidated financial statements of Porsche SE as associates at equity. It is also planned to continue the industrial cooperation between Volkswagen AG and Porsche AG even after a possible IPO.

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

At the time of preparing the consolidated financial statements, there is a risk that the latest developments in the Russia-Ukraine conflict will have a negative impact on the business activities of the Volkswagen Group and thus also indirectly on the Porsche SE Group. This may also result from bottlenecks in the supply chain. At the present time, it is not yet possible to conclusively assess the specific effects. Nor is it possible at this stage to predict with sufficient certainty to what extent further escalation of the Russia-Ukraine conflict will impact on the global economy and industry growth in the fiscal year 2022. The Volkswagen Group does not have any material subsidiaries and equity investments in Ukraine. In Russia, the Volkswagen Group has in particular the production company at the Kaluga site, as well as sales units and financing companies. Against the background of the Russian attack on Ukraine and the resulting consequences, Volkswagen's board of management has decided to suspend vehicle production in Russia until further notice. Vehicle exports to Russia have also been stopped, although original parts are still being delivered. With the extensive interruption of business activities in Russia, Volkswagen's board of management is reviewing the consequences from the overall situation, during this period of great uncertainty and upheaval. In terms of the Volkswagen Group's results of operations, financial position and net assets, the business activities of the Volkswagen Group in these two countries are insignificant. There is a risk that a further escalation of the conflict could have a material adverse effect on the results of operations, financial position and net assets of the Volkswagen Group and thus also indirectly on the Porsche SE Group.

With the exception of the developments presented in the "Changes in the reporting period" section as well as note [20], there were no other reportable events after the reporting date.

[26] Declaration on the German Corporate Governance Code

The board of management and supervisory board of Porsche SE submitted the annual declaration of compliance in accordance with Sec. 161 AktG in December 2021 and made it permanently accessible to shareholders on the company's website at www.porsche-se.com/en/company/corporate-governance/.

Stuttgart, 16 March 2022

Porsche Automobil Holding SE
The board of management

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

The following copy of the auditor's report also includes a “Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with Sec. 317 (3b) HGB” (“Separate report on ESEF conformity”). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

Independent auditor's report

On completion of our audit, we issued an unqualified auditor's report dated 16 March 2022 in German language. The following text is a translation of this auditor's report. The German text is authoritative:

To Porsche Automobil Holding SE, Stuttgart

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of Porsche Automobil Holding SE, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Porsche Automobil Holding SE, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and

- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report“ section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Measurement of the investment in Volkswagen AG (including effects of diesel issue)

❷ Assessment of legal risks and their presentation in the consolidated financial statements

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ Measurement of the investment in Volkswagen AG (including effects of diesel issue)

① In the consolidated financial statements of the Company, the investment in the associated Company Volkswagen AG is reported under the balance sheet line item "Investments accounted for at equity" at an amount of € 41.5 billion (98% of total assets).

The investment in Volkswagen AG is the major asset of Porsche SE and, due to it being accounted for using the equity method through the proportionate result attributable to Porsche SE, has a significant influence on the Porsche SE Group's financial performance, financial position and assets and liabilities.

The assessment of the executive directors of Porsche SE regarding the recoverability of the shares in Volkswagen AG accounted for at equity are subject to high estimation and judgment uncertainties with regard to key measurement parameters as well as the assumptions made in the business plan.

The provisions recognized in the consolidated financial statements of Volkswagen AG as at 31 December 2021 for risks relating to the diesel issue are based on the knowledge of the executive directors of Volkswagen AG as presented. The provisions recognized in the Volkswagen Group for the diesel issue as well as the contingent liabilities disclosed and the other latent legal risks are in part subject to substantial estimation and judgement risks by the executive directors of Volkswagen AG given that the fact finding efforts have not yet been concluded, the complexity of the individual relevant factors and the ongoing coordination with the authorities.

Any lasting decreases in the profit stemming from the Covid-19 pandemic, supply shortages for semiconductors as well as a further unexpected increase in the cost of mitigating the diesel issue might lead to an impairment in the value of the investment in Volkswagen AG.

Due to the significance of the risk provisioning at the level of Volkswagen AG as well as the scope of the assumptions and judgment decisions of the executive directors of Volkswagen AG and the resulting effects on the result of Porsche SE, this matter was of particular significance during our audit.

② As part of our audit, for the evaluation of the assessment of the recoverability of the carrying amount of the investment in Volkswagen AG made by the executive directors of Porsche SE, we initially examined the underlying process and its suitability for assessing the recoverability of the investment in Volkswagen AG. We included our valuation specialists in the audit to assess the valuation model and the valuation parameters used in terms of calculation and method used. We also assessed the business plan approved by the board of management and supervisory board of Volkswagen AG and compared key planning assumptions with external analysts' estimates. In this context, we have also evaluated the effects of the Covid-19 pandemic as well as the supply shortages for semiconductors on the business plan. We also compared the business forecasts prepared in previous periods with the actual results in order to analyze the accuracy of the forecasts. We also assessed the determination of the risk-adjusted capitalization interest rate by analyzing the peer group, comparing market data with external evidence and examining the mathematical accuracy. In order to estimate any impairment risk associated with a reasonably possible change in one of the significant assumptions, we assessed the Company's sensitivity analyses.

With regard to the effects of the diesel issue, the Covid-19 pandemic and the supply shortages for semiconductors on the result of Volkswagen AG and thus on the measurement of the result at Porsche SE accounted for at equity recorded during the current financial year, we accompanied the audit of Volkswagen's consolidated financial statements by its group auditor. In this regard, we sent audit instructions to the group auditor of Volkswagen AG, in which we provided guidelines on risk classification and the audit procedure, in particular in connection with risks regarding the diesel issue. Furthermore, we regularly obtained information about the current status of the audit in personal meetings and inspected the working papers of the group auditor. In our view, the assessments made by the executive directors are sufficiently documented and substantiated and represent an appropriate basis for the measurement of the investment in Volkswagen AG, taking into account the information available.

③ The accounting and measurement policies applied for the investment in Volkswagen AG and the associated disclosures on judgments of the executive directors regarding the assessment of the recoverability of the investment in Volkswagen AG are included in the notes to the consolidated financial statements in the sections "Accounting policies" and "[8] Investments accounted for at equity" and in the group management report in the sections "Significant events and developments at the Porsche SE Group" and "Opportunities and risks of the Porsche SE Group".

❷ Assessment of legal risks and their presentation in the consolidated financial statements

① As an investment management holding Company, Porsche SE primarily holds the investment in Volkswagen AG. In connection with the expansion of the investment in Volkswagen AG and the diesel issue that became known at Volkswagen AG in September 2015, the Company is exposed to legal risks in the form of lawsuits filed directly against Porsche SE, which may lead to significant expenses and cash outflows for the Company in the event of negative outcome of the litigation.

The assessment of the likelihood of these legal risks occurring at the level of Porsche SE is subject to estimation and judgment uncertainties to a high degree.

Against this background, the assessment of these legal risks and their presentation in the consolidated financial statements was of particular significance during our audit.

② In evaluating the assessment of the legal risks carried out by the executive directors we first obtained an understanding of the process in order to identify which controls the Company’s executive directors have implemented to recognize and assess risks at an early stage.

In order to evaluate the assessment of the likelihood of legal risks occurring carried out by the executive directors of Porsche SE, we discussed the risks and the pending proceedings, taking into account the current developments in the reporting period, through discussions with the legal department, the member of the executive board responsible for legal affairs and compliance as well as representative of the law firms overseeing the proceedings. In this context, we involved legal experts in our audit and also obtained external letters of confirmation from attorneys. Furthermore, we assessed the Company’s explanations in the notes to the consolidated financial statements.

We were able to follow the executive directors’ assessment of the legal risks and consider their presentation in the consolidated financial statements to be appropriate.

③ The assessment of the legal risks by the executive directors is included in the notes to the consolidated financial statements in the sections “Accounting policies” and “[20] Contingent liabilities from legal disputes” and in the management report in the sections “Significant events and developments at Porsche SE Group” and “Opportunities and risks of the Porsche SE Group”.

Other Information

The executive directors are responsible for the other information.

The other information comprises

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the separate non-financial group report pursuant to § 315b Abs. 3 HGB
- the remuneration report pursuant to § 162 AktG [Aktiengesetz: German Stock Corporation Act], for which the supervisory board is also responsible
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor’s report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the “ESEF documents”) contained in the electronic file Porsche_SE_KA+KLB_ESEF-2021-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor’s Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 23 July 2021. We were engaged by the supervisory board on 15 November 2021. We have been the group auditor of the Porsche Automobil Holding SE, Stuttgart, without interruption since the financial year 2020.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to another matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Jürgen Berghaus.

Stuttgart, 16 March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Harald Kayser	Jürgen Berghaus
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility statement

We assure to the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report, which has been combined with the management report of Porsche SE, includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Stuttgart, 16 March 2022

Porsche Automobil Holding SE
The board of management

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

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Financial calendar

29 March 2022
Annual Press and Analyst Conference

10 May 2022
Group quarterly statement 1st Quarter 2022

13 May 2022
Annual General Meeting 2022

8 August 2022
Half-yearly financial report 2022

8 November 2022
Group quarterly statement 3rd Quarter 2022

This annual report is available in German and English. This document is a non-binding convenience translation of the German original which is the legally valid document under German law.

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