PORSCHE SE

Half-yearly financial report

1 January – 30 June 2023

This half-yearly financial 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.

PORSCHE AUTOMOBIL HOLDING SE

Core investments

Stake of ordinary shares: 53.3 %
Stake of subscribed capital: 31.9 %

VOLKSWAGEN GROUP

Stake of ordinary shares: 25 % plus one ordinary share
Stake of subscribed capital: 12.5 %

PORSCHE

Portfolio investments

European Transport Solutions S.à r.l.

Stake of subscribed capital: 35.5 %

Umovity Mobility for Humanity

PTV LOGISTICS

ABB E-mobility

AEVA

AURORALABS

celestial AI

ETHERNOVIA

INRIX

isar aerospace

Markforged

proteanTecs

SEURAT

QUANTUM MOTION

XANADU

Status 30 June 2023

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Interim group management report

1 January – 30 June 2023

Porsche Automobil Holding SE ("Porsche SE" or the "company"), as the ultimate parent of the Porsche SE Group, is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. As of 30 June 2023, the Porsche SE Group had 40 employees (38 employees).

Porsche SE is a holding company with investments in the areas of mobility and industrial technology. In particular, it holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft, Wolfsburg ("Volkswagen AG" or "Volkswagen"), 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. Porsche SE also holds a direct interest in Porsche AG. In addition to these two core investments, the Porsche SE Group holds non-controlling interests in more than ten technology companies based in North America, Europe and Israel.

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

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.

Significant events and developments at the Porsche SE Group

Significant events and developments at the Porsche SE Group are presented in the following. The explanations refer to events and developments in the second quarter of the fiscal year 2023, unless reference is made in this section to another time period.

Refinancing

In March 2023, Porsche SE successfully placed a Schuldschein loan of around €2.7 billion. The promissory note comprises eight tranches with terms of three, five, seven and ten years, each of which is subject to a fixed or variable interest rate. Of the total volume, €1.0 billion is subject to a term of three years, €1.4 billion to a term of five years, €0.2 billion to a term of seven years and €0.2 billion to a term of ten years. Around 120 institutional investors such as banks, pension funds and insurance companies participated in the Schuldschein loan.

On 20 April 2023, Porsche SE also made its successful debut on the bond market. As part of a debt issuance program set up for this purpose, a first bond was issued with a total volume of €750 million, an annual coupon of 4.5% and a term until September 2028.

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

Furthermore, on 26 June 2023 Porsche SE issued a bond with a volume of €500 million, a coupon of 4.125% and a term until September 2027 as well as a bond with a volume of €750 million, a coupon on 4.25% and a term until September 2030. Upon payment on 4 July 2023, the proceeds from these bonds were used for the partial repayment of the five-year bank loan.

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 decreased to €7.5 billion in the first half of 2023 compared to €10.3 billion in the prior-year period. From January to June 2023, there were no significant special items in connection with the diesel issue affecting the operating result. In the prior-year period, negative special items in connection with the diesel issue of €0.4 billion had been recognized. For further details, please also refer to sections “Business development” and “Results of operations of the Volkswagen Group”.

As of 30 June 2023, there were no indicators on the basis of the earnings forecasts of an impairment of the investment in Volkswagen AG accounted for at equity. However, an impairment of the investment cannot be ruled out, particularly in the event of any sustained decline in earnings. This may also have consequences for the dividend policy of Volkswagen AG and therefore for the cash inflows at the level of Porsche SE. With regard to risks that could lead to such negative effects, please refer to the explanations in the section “Opportunities and risks of future development” as well as the explanations in the combined group management report for the fiscal year 2022.

In the prior year, the preference shares of Volkswagen AG held by Porsche SE were accounted for as assets held for sale pursuant to IFRS 5, after the supervisory board of Porsche SE had approved a disposal plan for the total of 2.7 million preference shares as a financing component for the acquisition of ordinary shares in Porsche AG. In particular in light of the successful placement of the Schuldschein loan of around €2.7 billion in March 2023, which significantly exceeded the volume predictable on the basis of similar transactions in the past, circumstances arose in the first quarter of the fiscal year 2023 that made a sale of the preference shares of Volkswagen AG held by Porsche SE by June 2023 not seem highly probable anymore. In the first quarter of the fiscal year 2023, the preference shares were therefore no longer classified as assets held for sale, resulting in a retrospective application of the equity method. The capital share, which the at equity accounting for the investment in Volkswagen AG has since been based on, amounts to around 31.9% compared to the approximately 31.4% previously. The retrospective application of the equity method required the prior-year comparative figures to be adjusted (see also section “Explanatory notes on results of operations, financial position and net assets”).

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

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

Due to its share in capital of Porsche AG, Porsche SE is also influenced by the developments at the level of the Porsche AG Group. The group result after tax and non-controlling interests of the Porsche AG Group increased to €2.8 billion in the first half of 2023 compared to €2.5 billion in the prior-year period.

As of 30 June 2023, there was no indication based on the share performance of an impairment of the investment in Porsche AG accounted for at equity. However, an impairment of the investment cannot be ruled out, particularly in the event of any sustained decline in earnings. This may also have consequences for the dividend policy of Porsche AG and therefore for the cash inflows at the level of Porsche SE. With regard to risks that could lead to such negative effects, please refer to the explanations in the section “Opportunities and risks of future development” as well as the explanations in the combined group management report for the fiscal year 2022.

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

Annual general meeting

Porsche SE held its annual general meeting virtually on 30 June 2023. The shareholders resolved to distribute a dividend of €2.560 per preference share and €2.554 per ordinary share for the fiscal year 2022. Unchanged compared to the prior year, this represents a total payout of €783 million. The dividend was paid to the shareholders on 5 July 2023.

The shareholders also reelected current supervisory board members Mag. Josef Michael Ahorner, Mag. Marianne Heiß, Dr. Günther Horvath and Peter Daniell Porsche for a further term of office and elected Sophie Piëch to the supervisory board for the first time.

The members of the board of management and those of the supervisory board holding office in the fiscal year 2022 were exonerated. The proposed amendment to the articles of association that allows the board of management of Porsche SE to hold annual general meetings virtually for the next five years was unanimously adopted.

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

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

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

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

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

Since 2012, Porsche SE and two companies of an investment fund have been in dispute over the existence of alleged claims in the amount of about US$195 million and have filed lawsuits in Germany and England respectively. On 6 March 2013, the English proceedings were suspended at the request of both parties until a final decision had been reached in the proceedings commenced in the Regional Court of Stuttgart concerning the question of which court is the court first seized. A final decision on this issue continues to be outstanding. Currently, the proceedings are pending before the Higher Regional Court of Stuttgart. On 21 December 2021, the Higher Regional Court of Stuttgart decided that witnesses are to be interrogated in the United Kingdom by way of a request for mutual legal assistance. On 11 May 2023 one of the witnesses was interrogated by the Oxford County Court. The other witness referred to his right to refuse to testify pursuant to German law via the High Court. The Higher Regional Court of Stuttgart has to decide whether or not the right to refuse to testify shall apply. Only thereafter, and only if the Higher Regional Court of Stuttgart has decided that a right to refuse to testify does not apply, can the other witness be interrogated by the English courts. Porsche SE considers the action filed in England to be inadmissible and the asserted claims to be without merit.

Legal proceedings and legal risks in connection with the diesel issue

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

Before the Regional Court of Stuttgart 208 actions are currently pending at first instance. The actions pending at first instance concern payment of damages, if quantified, in the total amount of approximately €797 million (plus interest) and in part establishment of liability for damages. After various claims have been referred to the competent Regional Court of Stuttgart, eleven claims for damages against Porsche SE, with a claim volume (according to the current assessment of the partially unclear head of claims) of approximately €3.1 million (plus interest), are now pending before the Regional Court of Braunschweig. A large number of the proceedings, with a total amount of approximately €13.8 million (plus interest), are currently suspended, whereby the majority of the suspended proceedings are suspended with reference to a KapMuG proceeding pending meanwhile before the Federal Court of Justice. Porsche SE considers the actions filed against it before the Regional Court of Stuttgart to be without merit. The actions filed against Porsche SE before the Regional Court of Braunschweig are considered by Porsche SE to be inadmissible and without merit.

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

A KapMuG proceeding, initiated by order for reference of the Regional Court of Stuttgart of 28 February 2017, was pending before the Higher Regional Court of Stuttgart. On 22 October 2020, the Higher Regional Court of Stuttgart appointed a model case plaintiff. Several hearings have taken place before the Higher Regional Court of Stuttgart. The Higher Regional Court of Stuttgart expanded the model case with further establishment objectives. During the hearing of 7 December 2022, the Higher Regional Court of Stuttgart interrogated two former members of the board of management of Porsche SE as witnesses. Both witnesses stated individually to have heard of the diesel issue for the first time in September 2015 through press reporting. In its model case ruling of 29 March 2023, the Higher Regional Court of Stuttgart found that, in principle, an ad hoc disclosure obligation of Porsche SE can also exist with respect to circumstances at Volkswagen AG. A requirement for any ad hoc disclosure obligation is that a member of the board of management of Porsche SE must either be aware of the alleged insider information or the board of management of Porsche SE must have breached an obligation to ensure that insider information can reach the board of management. If there is a specific reason for doing so, the board of management has a duty to make specific inquiries. With regard to any knowledge of the board of management of Porsche SE or breach of duty, the plaintiffs have the burden of proof. The Higher Regional Court of Stuttgart also ruled that any knowledge of confidential circumstances at Volkswagen AG of board members of Volkswagen AG who are also members of the board of management of Porsche SE cannot be attributed to Porsche SE. In addition, the Higher Regional Court of Stuttgart ruled that any knowledge of circumstances at Volkswagen AG on the level below the board of management of Volkswagen AG cannot be attributed to Porsche SE. Finally, the Higher Regional Court of Stuttgart ruled, that the members of the board of management of Porsche SE at the time, Dr. Wendelin Wiedeking and Holger P. Härter, had no knowledge of the diesel issue and such missing knowledge was also not based on gross negligence on their side. The establishment objectives sought by the plaintiffs against Porsche SE were therefore overwhelmingly not made by the Higher Regional Court of Stuttgart. On the basis of the establishment objectives made in the model case ruling and the current status of the matter in dispute in the initial proceedings, all investor claims against Porsche SE in the suspended initial proceedings would, as a result, have to be dismissed. The model case ruling is not yet final. The model case plaintiff, several plaintiffs and Porsche SE have filed an appeal on points of law against the model case ruling.

Following corresponding orders to suspend the proceedings by the Regional Court of Braunschweig and the courts of Stuttgart, Porsche SE became a further model case defendant in the model case proceedings before the Higher Regional Court of Braunschweig. The Higher Regional Court of Braunschweig issued a meanwhile binding partial model case ruling regarding questions of jurisdiction. Several hearings have taken place before the Higher Regional Court of Braunschweig. In spring 2023, the Higher Regional Court of Braunschweig invited the parties to consider entering into discussions aimed at a potential settlement. Porsche SE recently communicated not to have an intention to participate therein but that it will not stand in the way of a settlement between the parties either. On 7 July 2023 the Higher Regional Court of Braunschweig issued an order to take evidence and requested numerous persons to be interrogated and documents to be produced and submitted. The requested gathering of evidence focuses initially on the question whether or not Volkswagen AG's management board, individual members thereof and/or members of its ad-hoc clearing committee had knowledge of the installation of switch functions in Volkswagen AG vehicles that are inadmissible pursuant to US law. Furthermore, evidence will be gathered on expectations of the persons responsible for ad-hoc publications within Volkswagen AG regarding possible effects on the share price resulting from the information available to each of them. The interrogations will presumably commence in the next hearings on 5/6 September 2023.

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

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

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

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

Significant events and developments at the Volkswagen Group

Russia-Ukraine conflict / Covid-19 pandemic / Parts supply

The start of the Russia-Ukraine conflict in February 2022 led not only to a humanitarian crisis but also brought market upheaval around the world. There have been substantial price rises, particularly on the energy and commodity markets, and significant increases in interest and inflation rates have been observed internationally. There were some signs of normalization in the markets in the first half of the fiscal year 2023. Against the backdrop of the Russia-Ukraine conflict and the resulting consequences, Volkswagen had decided to suspend vehicle production in Russia for the time being. Vehicle exports to Russia have also been halted. In addition, the respective sanction requirements must also be complied with in relation to parts supplies and the provision of technical information. There was again no easing of the Russia-Ukraine conflict in the first half of the fiscal year 2023. For this reason, the discontinuation of business activities in Russia continued to take concrete shape in the Volkswagen Group. In this context, further sales negotiations with a number of investors continued or were concluded in the first half of 2023.

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

In this context, the Volkswagen Group had already recognized significant impairments and provisions in the fiscal year 2022. The sale price amounts to €125 million. The deconsolidation of the affected companies resulted in a loss of €0.4 billion in the fiscal year 2023 at the level of the Volkswagen Group. Apart from winding down Volkswagen Group Rus and its subsidiaries, no additional material expenses were recognized in connection with the Russia-Ukraine conflict in the first half of the fiscal year 2023.

While the situation in connection with the SARS-CoV-2 virus eased, the parts supply shortages continued at the beginning of the current fiscal year.

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

In December 2022, Porsche AG entered into an agreement with an independent, non-group investor for the sale of two Russian sales companies in the passenger cars and light commercial vehicles segment, OOO Porsche Russland, Moscow, Russia, and OOO Porsche Center Moscow, Moscow, Russia, as well as one company assigned to the Financial Services segment, OOO Porsche Financial Services Russland, Moscow, Russia. Moreover, a repurchase option was agreed with this investor, which can be exercised at the earliest five years and at the latest ten years after the sale.

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

On 15 December 2022, the supervisory board of Volkswagen AG resolved to sell the MAN ES gas turbine business of MAN Energy Solutions SE, Augsburg, and MAN Energy Solutions Schweiz AG, Zurich, Switzerland, by way of an asset deal to CSIC Longjiang GH Gas Turbine Co. Ltd., Harbin, China, and its subsidiaries under German and Swiss law. The transaction is expected to be completed within the fiscal year 2024.

In addition, the passenger car business of consolidated subsidiary EURO-Leasing GmbH, Sittensen, was classified as a disposal group held for sale as of 30 June 2023 at the level of the Volkswagen Group in accordance with the provisions of IFRS 5. Following the resolution by the relevant boards in the first half of 2023, the disposal project is expected to be completed in the second half of 2023. According to the disposal plan, the passenger car business will first be demerged into a wholly owned subsidiary of EURO-Leasing GmbH and part of this will subsequently be sold. The disposal group as a whole is subject to the measurement provisions of IFRS 5 because it contains assets that fall under the scope of IFRS 5.

Pursuant to IFRS 5, the assets and liabilities held for sale have been recognized at a lower of their carrying amount and fair value less expected costs of disposal.

Material transactions

Scout Motors Inc.

Under the Volkswagen Group’s North America strategy, Scout Motors Inc., Arlington, Virginia, USA, a wholly owned subsidiary of Volkswagen Finance Luxemburg, Strassen, Luxembourg, was established in the fiscal year 2022. A new vehicle brand is to be created under the name of Scout, under which electrified all-terrain vehicles and pickups will be distributed in the USA from 2026. In order to finance the creation of the SCOUT brand, as well as vehicle development and production planning, an amount of around US$500 million is to be contributed by Volkswagen to the company in the fiscal year 2023. Payments of US$240 million had been made by 30 June 2023. The company has been included in the Volkswagen consolidated financial statements since 1 January 2023.

Argo AI

The process of winding down Argo AI, LLC, Pittsburgh, USA was initiated in the third quarter of 2022. In this context, Volkswagen contributed US$60 million to the company in the first half of 2023. The contribution was written down in full at the level of the Volkswagen Group.

QuantumScape Corporation

In the fiscal years 2020 and 2021, the Volkswagen Group acquired new shares in QuantumScape Corporation, San José, USA, through forward purchase agreements resulting from a capital increase. Due to QuantumScape Corporation’s simultaneous listing on the New York Stock Exchange, the forward purchase agreements had to be measured at the respective closing prices. As a consequence, a non-cash gain of €1.4 billion was recognized in the financial result in the fiscal year 2020 and a non-cash expense of €0.6 billion in the fiscal year 2021 at the level of the Volkswagen Group. In total, there was a non-cash increase of €0.8 billion.

Due to the share price performance in the first half of 2023, the Volkswagen Group conducted an impairment test on the shares in QuantumScape Corporation. The carrying amount was adjusted on the basis of the impairment test. This adjustment led to a non-cash expense of €0.3 billion in the second quarter of 2023 at the level of the Volkswagen Group.

There Holding B.V.

There Holding B.V., Rijswijk, the Netherlands, is an investment company that holds shares in HERE International B.V., Eindhoven, the Netherlands, one of the world's largest producers of digital road maps for navigation systems. In the first half of 2023, capital transactions conducted at the level of There Holding B.V. increased the interest held by the Volkswagen Group in There Holding B.V. from 29.7% at the end of the fiscal year 2022 to 30.6% at the end of the first half of 2023. In addition, There Holding B.V. participated in several capital increases at HERE International B.V. in this period.

The Volkswagen Group's result of investments includes an expense of €92 million resulting from an impairment test on There Holding B.V.'s investment in HERE International B.V.

XPeng Inc.

On 26 July 2023, Volkswagen entered into an agreement with the electric vehicle company XPeng Inc., Cayman Islands ("XPeng Inc."), to acquire up to 4.99% of the ordinary shares of XPeng Inc. for a total purchase price of up to US$710 million. The transaction is expected to close in the fourth quarter of 2023. At the same time, Volkswagen signed a technological framework agreement with Guangdong Xiaopeng Automotive Technology Co. Ltd., Guangzhou, People's Republic of China, a subsidiary company of XPeng Inc., for the joint development of electric vehicles in China.

Business development

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

General economic development

The Russia-Ukraine conflict led to increased uncertainty in relation to developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia, ranging from extensive trade embargoes to the partial exclusion of Russia from the global financial system. Russia itself, in its role as an energy exporter, restricted deliveries to Europe, particularly deliveries of gas. Although calm began to return to the energy and commodity markets in recent months, some raw material prices remain comparatively elevated. Furthermore, salary trends in the overheated labor markets, among other factors, pose the threat of continued high inflation.

Following the slump in global economic output in 2020, the incipient recovery due to baseline and catch-up effects in 2021 and further normalization of economic activity in 2022 despite the Russia-Ukraine conflict, economic growth continued to recover in the reporting period on average, albeit with diminishing momentum compared with the prior year. This was mainly due to weaker growth in the advanced economies, whereas the rate of change in the emerging markets remained virtually the same overall. At national level, developments depended on the one hand on the intensity with which central banks had to tighten monetary policy to curb the higher inflation – mainly by raising interest rates and scaling back bond-buying – which had a negative impact on consumer spending and investment activity. On the other hand, the extent to which national economies were affected by the consequences of the Russia-Ukraine conflict was a decisive factor. Prices for energy and many other raw materials were lower than in the prior year, and shortages of intermediate products and commodities eased somewhat. Global trade in goods expressed in nominal terms decreased in the reporting period.

Trends in the markets for passenger cars and light commercial vehicles

In the first half of 2023, the volume of the global passenger car market was noticeably above the comparative figure for 2022 at 36.5 million vehicles (up 9.2%). The performance of the largest passenger car markets was positive, due among other things to the weak prior-year figures. While the supply situation for intermediates improved compared with 2022, particularly the consequences of the Russia-Ukraine conflict and pull-forward effects generated by state subsidies expiring at the end of the prior year dampened the trend in new registrations in individual markets. Significant growth was recorded in the overall markets of the Western Europe, Middle East and North America regions. The markets of the Central and Eastern Europe, South America and Asia-Pacific regions were slightly to noticeably higher than the prior-year level. The market in Africa fell significantly short of the prior-year volume.

In the first half of 2023, the global volume of new registrations for light commercial vehicles was significantly higher (up 15.5%) than in the prior year.

Trends in the markets for commercial vehicles

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was significantly higher in the reporting period than in the same period of 2022. Truck markets globally were strongly up on the prior-year level. This was due to an improved situation in global supply chains and the very strong recovery in China, the world's largest truck market, following the end of the country's zero-Covid strategy.

In the first half of 2023, there was a very strong rise in demand overall in the bus markets that are relevant for the Volkswagen Group compared with the same period of the prior year.

Trends in the markets for financial services

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

Volkswagen Group deliveries

The Volkswagen Group delivered 4.4 million vehicles to customers worldwide in the first half of 2023. This was 12.8% or 0.5 million units more than in the same period of the prior year, which had suffered in particular from the limited availability of Volkswagen Group models caused by the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting period. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the reporting period. Sales of both passenger cars and commercial vehicles were up year on year.

Sales of Volkswagen Group passenger cars and light commercial vehicles worldwide in the first six months of 2023 increased by 12.5% year on year to 4.2 million units. The prior year had suffered in particular from the limited availability of Volkswagen Group models due to the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting period. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the reporting period. With the exception of Bentley, all Volkswagen Group brands delivered more vehicles to customers than in the same period of 2022. Whilst Volkswagen recorded sales in the Asia-Pacific region at about the same level as the prior year, sales exceeded the prior-year figures in all other sales regions.

The Volkswagen Group’s e-mobility campaign continued to move ahead successfully: Volkswagen delivered 322 thousand all-electric vehicles to customers worldwide in the first six months of this year. This was 104 thousand units or 48.1% more than in the same period of the prior year. Their share of the group’s total deliveries rose to 7.4% (5.6%). A total of 115 thousand of Volkswagen’s plug-in hybrid models (up 8.1%) were delivered to customers. As a result, total electric vehicle deliveries went up by 34.9% and their share of total Volkswagen Group deliveries rose year on year to 10.9% (8.4%).

In an overall global market experiencing noticeable growth, the passenger car market share decreased to 11.0% (10.7%).

Between January and June 2023, the Volkswagen Group delivered 22.6% more commercial vehicles to customers worldwide than in the same period of the prior year. Volkswagen handed over a total of 168 thousand commercial vehicles to customers in the first half of the year.

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

	2023	2022	Change %
Regions			
Europe/Other markets	2,069,275	1,656,017	25.0
North America	458,733	401,785	14.2
South America	221,289	193,232	14.5
Asia-Pacific	1,622,919	1,623,965	–0.1
Worldwide	**4,372,216**	**3,874,999**	**12.8**
by brands			
Volkswagen passenger cars	2,224,704	2,076,009	7.2
ŠKODA	432,173	360,496	19.9
SEAT	261,434	204,121	28.1
Volkswagen commercial vehicles	198,731	153,630	29.4
Audi	907,111	785,099	15.5
Lamborghini	5,341	5,090	4.9
Bentley	7,096	7,398	–4.1
Porsche	167,354	145,860	14.7
Passenger cars and light commercial vehicles total	**4,203,944**	**3,737,703**	**12.5**
Scania	46,450	36,834	26.1
MAN	55,999	34,785	61.0
Navistar	45,791	37,333	22.7
Volkswagen Truck & Bus	20,032	28,344	–29.3
Commercial vehicles total	**168,272**	**137,296**	**22.6**

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

Sales, production and inventories at the Volkswagen Group

In the first half of 2023, the Volkswagen Group's unit sales to the dealer organization[1] rose year on year by 11.0% to 4.4 million units (including the equity-accounted companies in China). In the prior-year period, limited vehicle availability caused by parts supply shortages that were attributable in part to the Russia-Ukraine conflict had had an adverse effect. Persistent parts supply shortages had a negative impact in the reporting period as did disruption in the global logistics chains, although this disruption diminished as the year progressed. Unit sales outside Germany rose by 9.8% to 3.9 million vehicles. Growth was recorded in particular in the United Kingdom, the United States, Brazil and Türkiye, while unit sales in China declined. Unit sales in Germany increased by 19.6% year on year. Vehicles sold in Germany as a proportion of the group's overall sales increased to 13.0% (12.1%).

The Volkswagen Group produced 4.7 million vehicles (including the equity-accounted companies in China) from January to June 2023, 12.8% more than in the comparative prior-year period, which had seen production being halted due to the disruption of supply chains caused by the Russia-Ukraine conflict and the Covid-19 pandemic. Parts supply shortages also impacted production in the reporting period. Production in Germany increased by 37.6% to 1.1 million vehicles. The proportion of the group's total production accounted for by Germany increased to 23.1% (18.9%).

Global inventories of new vehicles at Volkswagen Group companies and in the dealer organization were higher at the end of the reporting period than at year-end 2022 and above the corresponding prior-year figure. The effect of disruption in the logistics chains continued to have a negative impact in the reporting period.

Volkswagen Group financial services

The financial services division's products and services were popular in the first half of 2023. However, limited vehicle availability caused by parts supply shortages and disruptions in logistics chains weighed on demand. The number of new financing, leasing, service and insurance contracts signed worldwide increased by 8.1% to 4.5 million. The ratio of leased and financed vehicles to Volkswagen Group deliveries (penetration rate) in the financial services division's markets stood at 33.6% (33.1%) in the reporting period. The total number of contracts on 30 June 2023 was 24.2 million (24.5 million).

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

Explanatory notes on results of operations, financial position and net assets

In the following explanations, the significant results of operations as well as the financial position and net assets of the Porsche SE Group are presented for the first six months of the fiscal year 2023 and as of 30 June 2023. While the prior-year figures for the results of operations relate to the period from 1 January to 30 June 2022, the financial position and net assets use figures as of 31 December 2022 as comparative figures.

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

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

Adjustments were also made to the prior-year figures as of 31 December 2022 as a result of applying the equity method retrospectively for the preference shares of Volkswagen AG held by Porsche SE and previously classified pursuant to IFRS 5 (see section “Significant events and developments at the Porsche SE Group”). This resulted in an elimination of assets classified as held for sale of €314 million, an increase in the carrying amount of the investment in Volkswagen AG accounted for at equity of €1,040 million, an increase in deferred tax liabilities of €4 million as well as an increase in equity of €723 million. The result from investments accounted for at equity for the first half of the fiscal year 2022 had to be increased by €708 million, while the deferred income tax income incurred thereon decreased by €3 million.

Results of operations of the Porsche SE Group

The result after tax of the Porsche SE Group came to €2,308 million (€3,949 million) in the first half of the fiscal year 2023, relating entirely to continuing operations (€3,853 million). In the prior year, €96 million related to discontinued operations. Of the result after tax from continuing operations, €2,313 million (€3,822 million) relates to the core investments segment and minus €4 million (€31 million) to the portfolio investments segment.

€ million	Core investments	Portfolio investments	**Group 1st half of 2023**	Group 1st half of 2022
Result from investments accounted for at equity	2,477	–4	2,473	3,845[1]
thereof Volkswagen AG	2,365		2,365	3,817[1]
thereof Porsche AG	112		112	
thereof portfolio investments		–4	–4	28
Income from investment valuation		1	1	12
Expenses from investment valuation		0	0	–9
Result from investments	**2,477**	**–4**	**2,474**	**3,849[1]**
Other operating income	1	0	1	1
Personnel expenses	–8		–8	–8
Amortization and depreciation	0		0	0
Other operating expenses	–8	–1	–9	–13
Result before financial result	**2,462**	**–4**	**2,458**	**3,829[1]**
Financial result	–143		–143	–2
Result before tax	**2,319**	**–4**	**2,314**	**3,827[1]**
Income tax	–6	0	–6	26[1]
Result after tax from continuing operations	**2,313**	**–4**	**2,308**	**3,853[1]**
Result after tax from discontinued operations				96
Result after tax	**2,313**	**–4**	**2,308**	**3,949[1]**
Other comprehensive income	–513	0	–513	4,028[1]
Consolidated total comprehensive income	**1,799**	**–4**	**1,795**	**7,977[1]**

[1] Prior-year figures were adjusted due to the retrospective application of IAS 28 for the preference shares of Volkswagen AG held by Porsche SE and previously classified pursuant to IFRS 5 and due to the first-time application of IFRS 17. This increased the result from investments accounted for at equity by €713.2 million overall, while deferred income tax income decreased by €3.4 million.

The result after tax in the core investments segment was significantly influenced by the result from investments in Volkswagen accounted for at equity of €2,365 million (€3,817 million). This contains profit contributions from ongoing at equity accounting before purchase price allocations of €2,381 million (€3,258 million) as well as subsequent effects from purchase price allocations of minus €15 million (minus €38 million). The prior-year result from investments in Volkswagen accounted for at equity also includes income of €597 million from the recognition of a bargain purchase through profit or loss following the acquisition of preference shares of Volkswagen AG. This was a result of the difference between the proportionate remeasured equity of Volkswagen Group and the acquisition costs for the Volkswagen preference shares. Besides this the decrease in the result from investments accounted for at equity is also attributable to effects from the fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedges) (see section "Results of operations of the Volkswagen Group").

The result from the investment in Porsche AG accounted for at equity, the second core investment, amounted to €112 million in the reporting period. This contains profit contributions from ongoing at equity accounting before the purchase price allocation of €345 million as well as subsequent effects from the purchase price allocation of minus €233 million. As the result has only been attributed to Porsche SE since 29 September 2022, there are no prior-year comparative figures as of 30 June 2023.

Other operating income, personnel expenses and amortization and depreciation in the core investments 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 as well as third-party services.

The financial result of minus €143 million (minus €2 million) contains interest expenses and other finance costs totaling minus €149 million (minus €2 million) mainly from financing, commitment fees and transaction costs. This was offset by interest income and other finance income of €6 million (€0 million) largely from fixed-term deposits. The financial result and income tax expenses of the core investments segment virtually match the figures of the Porsche SE Group.

The result after tax from continuing operations in the portfolio investment segment largely corresponds to its result from investments, which contains the result from investments accounted for at equity of minus €4 million (€28 million) as well as income of €1 million (€12 million) and expenses of €0 million (€9 million) from the fair value measurement of portfolio investments.

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

Other comprehensive income after tax of the Porsche SE Group of minus €513 million (€4,028 million) mainly contains effects resulting from the investment in Volkswagen AG accounted for at equity.

Financial position of the Porsche SE Group

Cash inflow from operating activities amounted to €1,378 million (€858 million) in the reporting period and largely contains the dividends received from the investment in Volkswagen AG totaling €1,415 million (€884 million). Of this, €1,393 million related to the ordinary dividend for the fiscal year 2022 and €22 million to the special dividend, which had been resolved by the annual general meeting of Volkswagen AG on 16 December 2022 in connection with the IPO and the sale of ordinary shares in Porsche AG, but not paid out until 9 January 2023. Porsche SE's special dividend claim against Volkswagen AG of €3.1 billion was offset against the remaining purchase price liability for the second tranche of Porsche SE's acquisition of ordinary shares in Porsche AG to Volkswagen of €3.0 billion. These dividend inflows were not subject to any capital gains tax deduction. In the comparative period, the gross dividend of €1,201 million attributable to Porsche SE was initially subject to capital gains tax plus solidarity surcharge of 26.375% or €317 million and was only paid out in the amount of the net dividend of €884 million. Furthermore, cash inflow from operating activities in the reporting period contains cash inflows from the termination of derivative contracts in an amount of €97 million. This was offset by cash outflows in the reporting period of €112 million primarily for interest paid including transaction costs in connection with the debt capital raised. In addition, both the reporting and the comparative period include cash outflows for expenses relating to holding business operations.

There was a cash outflow from investing activities of €321 million (€308 million) in the first six months of the fiscal year 2023. This largely resulted from changes in investments in securities of minus €343 million (minus €15 million) as well as cash payments of €57 million for the acquisition of shares of portfolio investments or the participation in a subsequent financing round at an existing portfolio investment. This was mainly offset by cash inflows from the change in investments in time deposits of €80 million (cash outflow: €55 million). The cash outflow in the comparative period is largely attributable to cash paid for acquiring additional preference shares in Volkswagen AG of €400 million as well as for participating in a capital increase of ETS of €35 million. In contrast, the comparative period included a cash inflow from the sale of shares in the PTV Group of €221 million less the cash and cash equivalents of the PTV Group of €25 million disposed of in the course of the deconsolidation.

There was a cash outflow from financing activities of €429 million (€783 million) in the first half of 2023. This cash outflow is mainly due to the repayment amount of the bridge loan exceeding the refinancing from the Schuldschein loan and the first bond (see also section "Significant events and developments at the Porsche SE Group"). In the prior year, the cash outflow was fully attributable to the dividend payment made to the shareholders of Porsche SE. In the reporting year, this had not yet been paid out as of 30 June.

Cash and cash equivalents increased to €714 million (€86 million) compared to 31 December 2022.

Net liquidity of the Porsche SE Group, i.e., cash and cash equivalents, time deposits and securities less financial liabilities, increased to minus €5.4 billion (minus €6.7 billion) compared to 31 December 2022. The liability for the dividend payments to the shareholders of Porsche SE of €783 million reported under current other financial liabilities is not included in net liquidity and only impacts net liquidity upon payment on 5 July 2023.

Net assets of the Porsche SE Group

Compared to 30 June 2023, the Porsche SE Group's total assets increased by €1.4 billion to €60.9 billion as of 31 December 2022.

The Porsche SE Group's non-current assets of €59.2 billion (€58.8 billion) primarily relate to the core investments accounted for at equity. These include in particular the carrying amount of the investment in Volkswagen AG accounted for at equity, which increased by €0.4 billion to €48.7 billion. Of the increase in the carrying amount, €2,381 million is attributable to the result from ongoing at equity accounting, minus €15 million to effects from the subsequent measurement of the hidden reserves and liabilities identified and minus €545 million to expenses and income recognized in other comprehensive income. Allocated dividends of €1,393 million reduced the carrying amount. In addition, adjustments to equity not recognized through total comprehensive income at the level of the Volkswagen Group reduced the carrying amount by minus €1 million.

The carrying amount of the core investment in Porsche AG accounted for at equity increased by €11 million to €10.2 billion compared to 31 December 2022. Of the increase in the carrying amount, €345 million is attributable to the result from ongoing at equity accounting, minus €233 million to effects from the subsequent measurement of the hidden reserves and liabilities identified and €22 million to expenses and income recognized in other comprehensive income. Allocated dividends of €114 million reduced the carrying amount. In addition, adjustments to equity not recognized through total comprehensive income at the level of the Porsche AG Group also reduced the carrying amount by minus €9 million.

The non-current other financial assets of €148 million (€204 million) include shares of portfolio investments of €92 million (€59 million) as well as interest rate hedging instruments of €53 million (€142 million) measured at fair value to which hedge accounting applies in all cases.

Current assets of €1,752 million (€762 million) mainly consist of income tax receivables, cash and cash equivalents, time deposits and securities. They also include the dividend receivable from Porsche AG of €114 million.

The equity of the Porsche SE Group increased to a total of €53.1 billion (€52.1 billion) due to the positive total comprehensive income as of 30 June 2023. The equity ratio of 87.3% (87.6%) decreased compared to the end of the fiscal year 2022.

Following the refinancing (see also section “Significant events and developments at the Porsche SE Group”), the maturity profile of the financial liabilities and accordingly also the presentation of maturities in the consolidated balance sheet changed. Of the total financial liabilities of €6.7 billion (€7.1 billion), €5.4 billion (€3.2 billion) is classified as non-current and €1.3 billion (€3.9 billion) as current as of 30 June 2023.

Current other financial liabilities primarily contain the liability from the dividend payment to the shareholders of Porsche SE of €783 million.

Results of operations of the Volkswagen Group

The following statements relate to the original profit/loss figures of the Volkswagen Group in the first half of 2023. It should be noted that the result of the Volkswagen Group, where it relates to the shareholders of Volkswagen AG, is only reflected in the group result of Porsche SE in the course of at equity accounting. Furthermore, effects from at equity accounting in the consolidated financial statements of Porsche SE, particularly relating to the subsequent measurement of the hidden reserves and liabilities identified in the course of the purchase price allocations, are not taken into consideration in the explanations below.

In the first half of 2023, the Volkswagen Group generated revenue of €156.3 billion, up 18.2% on the prior-year figure. A rise in vehicle sales and improved price positioning were set against adverse exchange rate movements. The prior-year period had been impacted to an even greater extent by limited vehicle availability due to parts supply shortages. The Volkswagen Group generated 81.7% (82.2%) of its revenue abroad. Gross profit amounted to €30.9 billion, up €4.5 billion on the prior-year period. The gross margin was 19.8% (20.0%).

In the period from January to June 2023, the Volkswagen Group’s operating result was €11.3 billion (€12.8 billion). The operating return on sales stood at 7.3% (9.7%). Improvements, especially in the volume and in price positioning, had a beneficial impact on the operating result, while a rise in product costs (in particular for commodities) reduced it. The reporting period was weighed down by adverse effects from the fair value measurement of derivatives to which hedge accounting is not applied, especially for commodities, while these factors had had a positive impact in the same period of the prior year. In addition, the deconsolidation of Volkswagen Group Rus and its subsidiaries led to a loss of €0.4 billion. The prior year had included one-off expenses for restructuring measures at SEAT as well as special items in connection with the diesel issue in an amount of minus €0.4 billion, while effects from derivatives in the financial services division had had a positive impact.

The financial result amounted to €0.6 billion (€1.2 billion). The share of the result of equity-accounted investments was down on the prior year. In the interest result, higher interest income was offset by a rise in interest expenses. Adverse exchange rate effects and other factors included in the other financial result were more than offset in the reporting period by positive net income from securities and funds, which had been negatively impacted in the prior-year period, especially as a result of the Russia-Ukraine conflict. Adjustments to the carrying amounts of investees because of changes in share prices and impairment tests resulted in a non-cash loss.

The Volkswagen Group's result before tax declined by €2.2 billion to €11.9 billion in the first half of 2023. The result after tax was down by €2.1 billion year on year to €8.5 billion. The result after tax and non-controlling interests decreased from €10.3 billion to €7.5 billion.

Results of operations of the Porsche AG Group

The following statements relate to the original profit/loss figures of the Porsche AG Group in the first half of the fiscal year 2023. It should be noted that the group result of Porsche SE only reflects its capital share in the result of the Porsche AG Group in the course of at equity accounting. Furthermore, effects from at equity accounting in the consolidated financial statements of Porsche SE, particularly relating to the subsequent measurement of the hidden reserves and liabilities identified in the course of the purchase price allocation, are not taken into consideration in the explanations below.

The Porsche AG Group generated revenue of €20.4 billion in the first half of 2023. This is an increase of 14.0% on the prior-year period (€17.9 billion) and is largely due to higher vehicle sales coupled with constant pricing.

The cost of sales rose by €1.7 billion to €14.5 billion (€12.9 billion), and, in proportion to revenue, is therefore on a par with the prior year at 71.1% (71.8%).

Gross profit increased accordingly by 16.9% to €5.9 billion (€5.1 billion), therefore resulting in a gross margin of 28.9% (28.2%).

Distribution expenses increased by €337 million to €1.3 billion. In proportion to revenue, these likewise increased to 6.3% (5.3%). Administrative expenses increased from €766 million to €875 million. In proportion to revenue, these are on a par with the prior year at 4.3% (4.3%).

Net other operating result decreased by €38 million to €111 million (€149 million). The decrease is mainly attributable to the development of currency and interest rate hedges as well as derivatives outside of hedge accounting. Accordingly, the operating result of the Porsche AG Group increased by €372 million to €3.9 billion (€3.5 billion) in the first half of 2023. The operating return on sales of the Porsche AG Group of 18.9% (19.4%) was due to the increase in distribution expenses, among other things.

In the first half of 2023, the financial result decreased by €84 million to €130 million (€214 million). The decrease primarily results from lower interest income due to the spin-off of the loan receivable from Porsche Holding Stuttgart GmbH in the prior year as well as lower interest income due to changes in the interest rates used to measure provisions. The current market price and interest rate development had an offsetting effect, which had a particularly positive effect on the securities held in special funds. Additionally, the financial result was positively impacted by a reversal of an impairment loss on Bertrandt AG that has been accounted for using the equity method.

Due to a lower effective tax rate of 30.5% (32.1%), income tax did not increase in proportion to the result before tax, rising to €1.2 billion (prior year: €1.2 billion). As a result, the result after tax increased by €257 million to €2.8 billion in the current reporting period. The result after tax and non-controlling interests increased by €263 million to €2.8 billion.

Opportunities and risks of future development

Opportunities and risks of the Porsche SE Group

There were no changes regarding the risk areas and their risk assessments presented in the report on opportunities and risks at the Porsche SE Group in the combined group management report for the fiscal year 2022. For the current status of the legal proceedings of Porsche SE and for current developments, reference is made to the section "Significant events and developments at the Porsche SE Group" in this half-yearly financial report.

Opportunities and risks of the Volkswagen Group

The following is based on extracts from the report on expected developments, risks and opportunities in the half-yearly financial report 2023 of Volkswagen AG.

Based on the results achieved, Volkswagen raised its forecast for the operating result of the commercial vehicles business area after the first quarter of 2023 and expects to achieve an operating return on sales of between 7% and 8%. In view of parts supply shortages, disruptions in logistics chains and the latest developments in the markets, Volkswagen now expects deliveries to customers of between 9 million and 9.5 million vehicles. For the power engineering business area, Volkswagen expects an increase in revenue, while it anticipates lower revenue in the financial services division combined with an improvement in the operating result. In the automotive division, where Volkswagen had forecast a research and development ratio (R&D ratio) of around 8%, it now expects the figure to be between 8% and 8.5%. Volkswagen's previous expectation for the capex ratio of 6.5% has been updated to between 6% and 6.5%. The disruptions in the supply chains are also leading to an increase in working capital at the Volkswagen Group and, as a consequence, a decline in the expected net cash flow, although this will still be significantly to strongly up on the prior year. Volkswagen's forecast for all other core performance indicators remains unchanged for the fiscal year 2023.

The status of the legal risks at the level of the Volkswagen Group was also updated in the interim management report of the Volkswagen Group. Beyond these events, according to the explanations in Volkswagen's interim management report there were no significant changes compared to the explanations in the section "Opportunities and risks of the Volkswagen Group" in the combined group management report in the annual report of Porsche SE for the fiscal year 2022.

Outlook

Anticipated development of the Volkswagen Group

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

It anticipates that, amid challenging market conditions, deliveries to customers of the Volkswagen Group in 2023 will stand between 9 million and 9.5 million vehicles. This assumes that the shortages of intermediates and commodities and the bottlenecks in logistics will become less intense.

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

Volkswagen expects the revenue of the Volkswagen Group in 2023 to be 10% to 15% higher than the prior-year figure and the operating return on sales to lie between 7.5% and 8.5%. In the passenger cars business area, Volkswagen forecasts an increase of around 7% to 13% in revenue compared with the prior year, with an operating return on sales of between 8% and 9%. For the commercial vehicles business area, the Volkswagen Group anticipates an operating return on sales of 7% to 8% amid a 5% to 15% year-on-year increase in revenue. In the power engineering business area, Volkswagen expects revenue to be noticeably above the prior-year figure and the operating result to be in the low triple-digit million euro range. For the financial services division, it forecasts a significant increase in revenue compared with the prior year and an operating result of around €4 billion.

For the fiscal year 2023, the Porsche AG Group continues to expect operating return on sales to range between 17% and 19%. This forecast is based on assumed revenue in a range of €40 billion to €42 billion.

Anticipated development of the Porsche SE Group

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

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

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

The result of the Porsche SE Group is also affected by the result from investments accounted for at equity that is attributable to Porsche SE and therefore on the earnings situation of the Porsche AG Group. The earnings forecast of Porsche SE therefore also takes into account the expectations of the Porsche AG Group regarding its future development.

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

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

As of 30 June 2023, the Porsche SE Group has net liquidity of minus €5.4 billion. The liability for the dividend payments to the shareholders of Porsche SE of €783 million reported under current other financial liabilities is not included in net liquidity and only impacts net liquidity upon payment on 5 July 2023. As of 31 December 2023, negative net liquidity of between minus €6.1 billion and minus €5.6 billion continues to be expected for the Porsche SE Group.

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

Stuttgart, 7 August 2023
Porsche Automobil Holding SE

The board of management

Hans Dieter Pötsch Dr. Manfred Döss Dr. Johannes Lattwein Lutz Meschke

Glossary

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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.

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 2.0l diesel engines in the USA. On 2 November 2015, the EPA issued a notice of violation alleging that irregularities had also been discovered in the software installed in US vehicles with type V6 3.0l diesel engines. In this regard, numerous judicial and regulatory proceedings were subsequently initiated in various countries.

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.

Research and development ratio

The research and development ratio ("R&D ratio") in the Volkswagen Group's automotive division shows total research and development costs in relation to revenue. Research and development costs comprise a range of expenses, from futurology through to the development of marketable products of the Volkswagen Group. Particular emphasis is placed on the environmentally friendly orientation of the product portfolio. The R&D ratio underscores the efforts made to ensure the company's future viability: the goal of competitive profitability geared to sustainable growth.

Net cash flow

Net cash flow in the Volkswagen Group's automotive division represents the excess funds from operating activities available for dividend payments, for example. It is calculated as cash flows from operating activities less cash flows from investing activities attributable to operating activities.

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.

Plug-in hybrid

Performance levels of hybrid vehicles. Plug-in hybrid electric vehicles (PHEVs) have a larger battery with a correspondingly higher capacity that can be charged via the combustion engine, the brake system, or an electrical outlet. This increases the range of the vehicle.

Ratio of capex to revenue

The ratio of capex to revenue in the Volkswagen Group's automotive division reflects both its innovative power and its future competitiveness. It shows its capital expenditure – largely for modernizing and expanding its product range and for environmentally friendly drivetrains, as well as for adjusting the production capacity and improving production processes – in relation to the revenue of the Volkswagen Group's automotive division.

Condensed consolidated interim financial statements

Consolidated income statement of Porsche Automobil Holding SE for the period from 1 January to 30 June 2023

€ million	Note	**1st half of 2023**	1st half of 2022
Result from investments accounted for at equity	[1]	2,473	3,845[1]
Income from investment valuation	[2]	1	12
Expenses from investment valuation	[2]	0	-9
Result from investments		**2,474**	**3,849[1]**
Other operating income		1	1
Personnel expenses		-8	-8
Amortization and depreciation		0	0
Other operating expenses	[3]	-9	–13
Result before financial result		**2,458**	**3,829[1]**
Finance costs		–149	-2
Other financial result		6	-1
Financial result	**[4]**	**–143**	**-2**
Result before tax		**2,314**	**3,827[1]**
Income taxes	[5]	-6	26[1]
Result after tax from continuing operations		**2,308**	**3,853[1]**
Result after tax from discontinued operations	[6]		96
Result after tax		**2,308**	**3,949[1]**
thereof attributable to			
shareholders of Porsche SE		2,308	3,949[1]
Earnings per ordinary share (basic and diluted) from continuing operations		7.53	12.58[1]
Earnings per ordinary share (basic and diluted) from discontinued operations			0.31
Earnings per preference share (basic and diluted) from continuing operations		7.54	12.58[1]
Earnings per preference share (basic and diluted) from discontinued operations			0.32

1 Prior-year figures were adjusted due to the retrospective application of IAS 28 for the preference shares of Volkswagen AG held by Porsche SE and previously classified pursuant to IFRS 5 and due to the first-time application of IFRS 17. Please refer to the explanations in the section “Changes in the reporting period”.

Consolidated statement of comprehensive income of Porsche Automobil Holding SE for the period from 1 January to 30 June 2023

€ million	**1st half of 2023**	1st half of 2022
Result after tax	**2,308**	**3,949[1]**
Remeasurement of pensions	0	14
Deferred tax on remeasurement of pensions	0	-4
Other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity (before tax)	–95	4,432[1]
Deferred tax on other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity	38	–1,344[1]
Deferred tax not to be reclassified to profit or loss in subsequent periods on investments accounted for at equity	1	–47[1]
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods	–57	3,051[1]
Currency translation		0
Other comprehensive income to be reclassified to profit or loss in subsequent periods from cashflow hedges (before tax)	2	
Deferred tax on other comprehensive income to be reclassified to profit or loss in subsequent periods from cashflow hedges	-1	
Other comprehensive income to be reclassified to profit or loss in subsequent periods from investments accounted for at equity (before tax)	–356	942[1]
Deferred tax on other comprehensive income to be reclassified to profit or loss in subsequent periods from investments accounted for at equity	–109	50[1]
Deferred tax to be reclassified to profit or loss in subsequent periods on investments accounted for at equity	7	–15[1]
Total other comprehensive income to be reclassified to profit or loss in subsequent periods	–456	977[1]
Other comprehensive income after tax	**–513**	**4,028[1]**
Total comprehensive income	**1,795**	**7,977[1]**
thereof attributable to		
shareholders of Porsche SE	1,795	7,977[1]
from continuing operations	1,795	7,881[1]
from discontinued operations		96

[1] Prior-year figures were adjusted due to the retrospective application of IAS 28 for the preference shares of Volkswagen AG held by Porsche SE and previously classified pursuant to IFRS 5 and due to the first-time application of IFRS 17. Please refer to the explanations in the section “Changes in the reporting period”.

Consolidated balance sheet of Porsche Automobil Holding SE as of 30 June 2023

€ million	Note	**30/6/2023**	31/12/2022
Assets			
Intangible assets		0	0
Property, plant and equipment		1	1
Investments accounted for at equity	[7]	59,004	58,545[1]
Other financial assets	[8], [15]	148	204
Other assets			0
Non-current assets		**59,153**	**58,750[1]**
Other financial assets	[8], [15]	123	25
Other assets		2	1
Income tax receivables	[5]	316	316
Securities	[15]	413	70
Time deposits	[15]	185	265
Cash and cash equivalents	[15]	714	86
Current assets		**1,752**	**762[1]**
		60,905	**59,512[1]**
Equity and liabilities			
Subscribed capital		306	306
Capital reserves		4,884	4,884
Retained earnings		48,001	46,476[1]
Other reserves (OCI)		–50	473[1]
Equity	**[9]**	**53,142**	**52,139[1]**
Provisions for pensions and similar obligations		28	27
Other provisions	[10]	25	27
Financial liabilities	[11], [15]	5,374	3,152
Other financial liabilities	[15]	0	
Deferred tax liabilities	[5]	177	176[1]
Non-current liabilities		**5,603**	**3,382[1]**
Provisions for pensions and similar obligations		1	1
Other provisions	[10]	26	29
Trade payables	[15]	3	4
Financial liabilities	[11], [15]	1,334	3,941
Other financial liabilities	[12], [15]	784	1
Other liabilities		4	5
Income tax liabilities		8	10
Current liabilities		**2,160**	**3,991**
		60,905	**59,512**

[1] Prior-year figures were adjusted due to the retrospective application of IAS 28 for the preference shares of Volkswagen AG held by Porsche SE and previously classified pursuant to IFRS 5 and due to the first-time application of IFRS 17. Please refer to the explanations in the section “Changes in the reporting period”.

Consolidated statement of changes in equity of Porsche Automobil Holding SE for the period from 1 January to 30 June 2023

€ 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 2022	306	4,884	40,216[1]	–3,214[1]	42,192[1]	1	42,193[1]
Result after tax			3,949[1]		3,949[1]		3,949[1]
Other comprehensive income after tax				4,028[1]	4,028[1]		4,028[1]
Total comprehensive income			3,949[1]	4,028[1]	7,977[1]		7,977[1]
Dividend payment			–783		–783		–783
Changes in the scope of consolidation			–1	1		–1	–1
Other changes in equity arising from the level of investments accounted for at equity			6	–1[1]	5[1]		5[1]
As of 30 June 2022	**306**	**4,884**	**43,387[1]**	**814[1]**	**49,391[1]**		**49,391[1]**
As of 1 January 2023	306	4,884	46,476[1]	473[1]	52,139[1]		52,139[1]
Result after tax			2,308		2,308		2,308
Other comprehensive income after tax				–513	–513		–513
Total comprehensive income			2,308	–513	1,795		1,795
Dividends[2]			–783		–783		–783
Other changes in equity arising from the level of investments accounted for at equity			0	–10	–10		–10
As of 30 June 2023	**306**	**4,884**	**48,001**	**–50**	**53,142**		**53,142**

[1] Prior-year figures and therefore also the figures as of 31 December 2022/1 January 2023 were adjusted due to the retrospective application of IAS 28 for the preference shares of Volkswagen AG held by Porsche SE and previously classified pursuant to IFRS 5 and due to the first-time application of IFRS 17. Please refer to the explanations in the section “Changes in the reporting period”.

[2] The dividend for the fiscal year 2022 was resolved by the annual general meeting of Porsche SE on 30 June 2023 and paid out on 5 July 2023.

Note [9] contains further explanations on equity.

Consolidated statement of cash flows of Porsche Automobil Holding SE for the period from 1 January to 30 June 2023

€ million	**1st half of 2023**	1st half of 2022
1. Operating activities		
Result after tax	2,308	3,949[1]
Result after tax from discontinued operations		–96
Result from investments	–2,474	–3,849[1]
Amortization and depreciation	0	0
Interest expense	149	2
Interest income	-6	0
Income tax expense (+) and income (-)	6	–26[1]
Other non-cash expenses (+) and income (-)	0	1
Change in other assets	94	-1
Change in provisions for pensions	0	0
Change in other provisions	-4	-4
Change in other liabilities	-3	0
Dividends received	1,415	884
Interest paid	–112	-1
Interest received	3	0
Income tax received		0
Cash flow from operating activities	**1,378**	**858**
2. Investing activities		
Cash received from the disposal of subsidiaries net of cash and cash equivalents		201
Cash paid for the acquisition of shares in investments accounted for at equity	–15	–435
Cash paid for the acquisition of other shares in entities	–42	-5
Cash received from the disposal of other shares in entities		2
Change in investments in securities	–343	–15
Change in investments in time deposits	80	–55
Cash paid for other investing activities	-1	0
Cash flow from investing activities	**–321**	**–308**
3. Financing activities		
Dividends paid to shareholders of Porsche SE	0	–783
Cash received for raising financial liabilities	3,472	
Cash paid for repayment of financial liabilities	–3,900	
Cash flow from financing activities	**–429**	**–783**
4. Cash and cash equivalents		
Cash and cash equivalents as of 1 January	86	271
plus cash and cash equivalents as of 1 January from discontinued operations		25
Change in cash and cash equivalents (subtotal of 1 to 3)	628	–232
Cash and cash equivalents as of 30 June	**714**	**64**

[1] Prior-year figures were adjusted due to the retrospective application of IAS 28 for the preference shares of Volkswagen AG held by Porsche SE and previously classified pursuant to IFRS 5 and due to the first-time application of IFRS 17. Please refer to the explanations in the section "Changes in the reporting period".

Note [13] contains further explanations on the consolidated statement of cash flows.

Selected explanatory notes

Basis of presentation

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

The consolidated financial statements of Porsche SE for the fiscal year 2022 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. Accordingly, these consolidated interim financial statements as of 30 June 2023 were also prepared in accordance with IAS 34 (Interim Financial Reporting) and the reporting is reduced in scope compared to the consolidated financial statements.

The reporting period covers the period from 1 January to 30 June of a year. The group’s presentation currency is the euro. Unless otherwise stated, all figures are presented in millions of euro (€ million). All figures and percentages are rounded according to customary business practice, so minor discrepancies may arise from the addition of these amounts. Amounts smaller than €0.5 million are stated at zero. The comparative prior-year figures are presented in parentheses alongside the figures for the current reporting period.

The condensed consolidated interim financial statements and the interim group management report were authorized for issue by the board of management on 7 August 2023. They were discussed with the supervisory board’s audit committee before publication.

Furthermore, the condensed consolidated interim financial statements and the interim group management report were reviewed by Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as defined by Sec. 115 WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act].

Scope of consolidation

The condensed consolidated interim financial statements of Porsche SE for the first half of 2023 include all entities controlled by Porsche SE by means of full consolidation.

Companies where Porsche SE is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates) are accounted for at equity.

Changes in the reporting period

First-time application of IFRS 17

As a result of the first-time application of IFRS 17, which provides new guidance on the accounting for insurance contracts, adjustments were made to prior-year figures at the level of the Volkswagen Group. These changes are primarily due to the changed system for calculating provisions related to the insurance business. At the level of Porsche SE, there are no business transactions that fall within the scope of IFRS 17. However, as a result of applying the equity method to the investments in Volkswagen AG and Porsche AG, the first-time application of IFRS 17 at the level of the Volkswagen Group also has an indirect impact on Porsche SE's consolidated financial statements.

The effects from the first-time application of IFRS 17 on the consolidated balance sheet and consolidated income statement are presented in the reconciliations below.

Retrospective application of IAS 28 to the preference shares of Volkswagen AG held by Porsche SE

In the prior year, the preference shares of Volkswagen AG held by Porsche SE were accounted for as assets held for sale pursuant to IFRS 5, after the supervisory board of Porsche SE had approved a disposal plan for the total of 2.7 million preference shares as a financing component for the acquisition of ordinary shares in Porsche AG.

However, in particular in light of the successful placement of the Schuldschein loan of around €2.7 billion in March 2023, which significantly exceeded the volume predictable on the basis of similar transactions in the past, circumstances already arose in the first quarter of the fiscal year 2023 that made a sale of the preference shares of Volkswagen AG held by Porsche SE by June 2023 not seem highly probable anymore.

Already in the first quarter of the fiscal year 2023, the preference shares were therefore no longer classified as assets held for sale, resulting in a retrospective application of the equity method. The capital share, which the at equity accounting for the investment in Volkswagen AG has since been based on, amounts to around 31.9% compared to the approximately 31.4% previously.

The retrospective application of the equity method as well as the first-time application of IFRS 17 required the following adjustments of the prior-year comparative figures:

€ million	1st half of 2022	Retrospective application of IAS 28	First-time adoption of IFSR 17	1st half of 2022 after adjustments
Result from investments accounted for at equity	3,132	708	5	3,845
Income from investment valuation	12			12
Expenses from investment valuation	-9			-9
Result from investments	**3,135**	**708**	**5**	**3,849**
Other operating income	1			1
Personnel expenses	-8			-8
Amortization and depreciation	0			0
Other operating expenses	– 13			– 13
Result before financial result	**3,116**	**708**	**5**	**3,829**
Financial result	**-2**			**-2**
Result before tax	**3,114**	**708**	**5**	**3,827**
Income taxes	29	-3	0	26
Result after tax from continuing operations	**3,143**	**704**	**5**	**3,853**
Result after tax from discontinued operations	96			96
Result after tax	**3,239**	**704**	**5**	**3,949**
Remeasurement of pensions	14			14
Deferred tax on remeasurement of pensions	-4			-4
Other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity (before tax)	4,432	0		4,432
Deferred tax on other comprehensive income not to be reclassified to profit or loss in subsequent periods from investments accounted for at equity	– 1,344	0		– 1,344
Deferred tax not to be reclassified to profit or loss in subsequent periods on investments accounted for at equity	– 47	0		– 47
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	**3,052**	**-1**		**3,051**
Currency translation	0			0
Other comprehensive income to be reclassified to profit or loss in subsequent periods from investments accounted for at equity (before tax)	940	2		942
Deferred tax on other comprehensive income to be reclassified to profit or loss in subsequent periods from investments accounted for at equity	49	1		50
Deferred tax to be reclassified to profit or loss in subsequent periods on investments accounted for at equity	– 15	0		– 15
Other comprehensive income to be reclassified to profit or loss in subsequent periods	**974**	**3**		**977**
Other comprehensive income after tax	**4,026**	**2**		**4,028**
Total comprehensive income	**7,265**	**707**	**5**	**7,977**

€ million	31/12/2022	Retrospective application of IAS 28	First-time adoption of IFSR 17	31/12/2022 after adjustments
Assets				
Investments accounted for at equity	57,506	1,040	-1	58,545
thereof Volkswagen AG	47,193	1,040	0	48,232
thereof tranche 1	44,492	20	0	44,512
thereof tranche 5		1,020	0	1,020
thereof Porsche AG	10,196		0	10,196
Other non-current assets	205			205
Non-current assets	**57,710**	**1,040**	**–1**	**58,750**
Other current assets	762			762
Assets classified as held for sale	314	–314		
Current assets	**1,076**	**–314**		**762**
	58,786	**727**	**–1**	**59,512**
Equity and liabilities				
Subscribed capital	306			306
Capital reserves	4,884			4,884
Retained earnings	45,747	727	2	46,476
Other reserves (OCI)	479	-4	-2	473
Equity	**51,417**	**723**	**0**	**52,139**
Non-current liabilities	**3,378**	**4**	**0**	**3,382**
Current liabilities	**3,991**			**3,991**
	58,786	**727**	**–1**	**59,512**

Accounting policies

Porsche SE implemented all accounting standards endorsed by the EU and effective as of 1 January 2023.

Otherwise, the same accounting policies and principles of consolidation were generally used to prepare the condensed consolidated interim financial statements as those used in the consolidated financial statements as of 31 December 2022. A detailed description of these methods is published in the notes to the consolidated financial statements in the section "Accounting policies". With regard to the effects of the first-time application of IFRS 17, please refer to the explanations in the section "Changes in the reporting period". Moreover, the effects of applying the new standards are described in more detail in the section "New accounting standards" in the notes to the consolidated financial statements as of 31 December 2022.

Accounting judgments, estimates and assumptions of the management

For the issues below, the following new developments and findings arose in the first half of 2023:

For new developments in the first half of 2023 with regard to legal disputes, please refer to the section "Significant events and developments at the Porsche SE Group" in the interim group management report. The provisions for costs of litigation recognized correspond to the expected attorneys' fees and litigation expenses. Furthermore, based on the information available and gained there continue to be no conclusive findings or assessments of facts available that would suggest that a different assessment of the associated risks should have been made.

In particular, please also refer to the explanations on the impairment test of the carrying amount of the investment in Volkswagen AG as of 30 June 2023 under note [7].

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

Since the contributions to income made by the investments in Porsche AG and in particular in Volkswagen AG 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, including Porsche AG and its subsidiaries, are presented below.

Development of the general economic environment and the automotive markets

Following the slump in global economic output in 2020, the incipient recovery due to baseline and catch-up effects in 2021 and further normalization of economic activity in 2022 despite the Russia-Ukraine conflict, economic growth continued to recover in the reporting period on average, albeit with diminishing momentum compared with the prior year. This was mainly due to weaker growth in the advanced economies, whereas the rate of change in the emerging markets remained virtually the same overall. At national level, developments depended on the one hand on the intensity with which central banks had to tighten monetary policy to curb the higher inflation – mainly by raising interest rates and scaling back bond-buying – which had a negative impact on consumer spending and investment activity. On the other hand, the extent to which national economies were affected by the consequences of the Russia-Ukraine conflict was a decisive factor. Prices for energy and many other raw materials were lower than in the prior year, and shortages of intermediate products and commodities eased somewhat. Global trade in goods expressed in nominal terms decreased in the reporting period.

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

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

Impact of the Russia-Ukraine conflict, the Covid-19 pandemic and the parts supply

The start of the Russia-Ukraine conflict in February 2022 led not only to a humanitarian crisis but also brought market upheaval around the world. There have been substantial price rises, particularly on the energy and commodity markets, and significant increases in interest and inflation rates have been observed internationally. There were some signs of normalization in the markets in the first half of the fiscal year 2023.

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

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

In connection with the sale of its shares in OOO Volkswagen Group Rus, Kaluga, Russia ("Volkswagen Group Rus"), and that company's local subsidiaries, the Volkswagen Group recognized a loss from the deconsolidation of €0.4 billion in the fiscal year 2023.

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

The reporting period was weighed down by adverse effects from the fair value measurement of derivatives to which hedge accounting is not applied, especially for commodities, while these factors had had a positive impact in the same period of the prior year.

While the situation in connection with the SARS-CoV-2 virus eased, the parts supply shortages continued at the beginning of the current fiscal year.

Litigation and 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 2.0l diesel engines in the USA.

This was followed by further reports on the scope of the diesel issue. Detailed information can be found in the section "Accounting judgments, estimates and assumptions of the management at the level of the Volkswagen Group" of Porsche SE's consolidated financial statements as of 31 December 2022.

No material special items in connection with the diesel issue were recognized in the first half of the fiscal year 2023 at the level of the Volkswagen Group. In the prior-year period, negative special items in connection with the diesel issue of €0.4 billion had been recognized.

There were also the following developments in connection with the diesel issue at the level of the Volkswagen Group:

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

The Braunschweig Office of the Public Prosecutor conducted investigations on suspicion of fraud in connection with type EA 288 engines. The proceedings against the accused employees and against Volkswagen AG were terminated in late 2022 and early 2023, definitively against payment of a sum set by the court in the case of three of the accused persons and provisionally as regards four others.

In late June 2023, the Munich II Regional Court handed down a judgment in the criminal proceedings commenced in June 2020 for, among other things, alleged fraud in connection with the diesel issue involving 3.0 l and 4.2 l TDI engines. A former chairman of the board of management of AUDI AG and the other two defendants were sentenced to prison terms, the enforcement of which was in each case suspended subject to probation. In each case, the conditions of probation include paying a sum set by the court. The judgment is at present not yet final as all three defendants as well as the office of the public prosecutor have filed appeals. The proceedings against an additional former defendant were terminated by the Munich II Regional Court in April 2023 against payment of a sum set by the court.

In a trial level decision rendered in late February 2023, the Schleswig Administrative Court had granted the relief requested in a lawsuit brought by Deutsche Umwelthilfe (DUH – Environmental Action Germany) against the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) and invalidated the notice of approval for a software update for certain older Golf Plus model vehicles to the extent this notice classified the thermal window feature, the altitude correction feature, and the taxi switch feature as permissible deactivation devices (defeat devices). The so-called thermal window in question is a temperature-dependent exhaust gas recirculation function. Altitude correction refers to altitude-dependent exhaust gas recirculation. The taxi switch modifies exhaust gas recirculation when a vehicle with a running engine stands motionless for a certain period of time. Volkswagen AG is involved in the litigation as an interested party summoned. In late April 2023, Volkswagen AG and the KBA filed an appeal against the judgment of the Schleswig Administrative Court. This decision is thus not legally final. DUH has filed two additional lawsuits with the Schleswig Administrative Court. The first action contests the notices of approval for further Audi and Porsche brand vehicles equipped with type EA 189 engines as well as with selected V-TDI engines; the second action is directed against all Volkswagen Group diesel vehicles with the EU5 and EU6b/c exhaust emission standard.

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

In Brazil, the appeal filed by the plaintiff against the October 2021 trial court judgment dismissing its complaint in the second consumer protection class action, which pertains to roughly 67 thousand Amarok vehicles, was rejected by the appellate court in June 2023.

In the Netherlands class action seeking monetary damages, the Diesel Emissions Justice Foundation has limited its appeal against the March 2022 interlocutory judgment solely to the applicability of the new class action regime, hence the decision of the Amsterdam court that it lacks jurisdiction to hear lawsuits brought by consumers outside the Netherlands is final and binding.

In Portugal, the Supreme Court dismissed the class action in July 2023 as inadmissible because the plaintiff consumer organization lacked standing to sue.

In late June 2023, the Bundesgerichtshof (BGH – Federal Court of Justice) handed down judgments in lawsuits against Volkswagen AG and AUDI AG posing the issue as to how the case law of the European Court of Justice (ECJ) on the potential claims of buyers under European type approval law should be implemented in German law. The BGH held that the negligent use of an impermissible defeat device may in principle entitle plaintiffs to differential damages amounting to 5% to 15% of their vehicle's purchase price. Whether this claim is given in a particular instance is for the appeals courts to determine. The BGH stated that it did not matter whether the limits in the NEDC testing procedure would be complied with even when system functioning was modified. The BGH held that liability does not arise where the manufacturer is not at fault, e.g., because the relevant public authority had approved the deactivation device in its specific configuration and taking account of identified combinations of deactivation devices, or would have done so upon request. Where a claim for differential damages exists in principle, the buyer must furthermore accept an offset for the benefit derived from using the vehicle and for the vehicle's value to the extent these exceed the vehicle's diminished value. An implemented software update may also potentially mitigate damages.

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

In the investor action for model declaratory judgment before the Braunschweig Higher Regional Court, the court issued a notification ruling in March 2023, in light of the unforeseeably long remaining duration of the litigation, suggested that the parties each consider their willingness to enter into out-of-court settlement negotiations. Without prejudice to its legal position, Volkswagen AG has indicated that it is prepared to consider the Braunschweig Higher Regional Court's suggestion. In July 2023, the Braunschweig Higher Regional Court issued an order for the taking of evidence including the examination of numerous persons as well as the production and consultation of documents and records. The mandated taking of evidence focuses initially on whether the board of management of Volkswagen AG or individual members thereof and/or individual members of Volkswagen AG's Ad Hoc Disclosure Clearing Office had or, reflecting Volkswagen AG's state of knowledge, lacked knowledge of the installation of switching devices prohibited under US law in Volkswagen AG vehicles, as well as on the conceptions of these persons regarding the potential share price impact of the information that each respectively possessed. The taking of testimony is to begin in the fall of 2023.

In the model case proceedings against Porsche SE, in which Volkswagen AG intervened as a third party supporting a party to the dispute, the Stuttgart Higher Regional Court rendered a model declaratory judgment in late March 2023. Based on the determinations made in the model declaratory judgment and the current substantive status of the underlying actions, all of the suspended investor lawsuits against Porsche SE would in effect have to be dismissed. The model declaratory judgment is not yet final. The model case plaintiff, several interested parties summoned, and Porsche SE have petitioned the BGH for review on points of law. Volkswagen AG has declared its intervention as a third-party supporting the petition for review of Porsche SE.

4. Special audit

Following the rulings of the Federal Constitutional Court in November 2022 finding both constitutional complaints lodged by Volkswagen AG to be meritorious, the proceedings before the Hanover Regional Court, which had been stayed pending decision by the Federal Constitutional Court, have been resumed as a result of these rulings. The subject of these proceedings is a motion seeking appointment of a special auditor for Volkswagen AG to examine matters relating to the diesel issue.

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

Notes to the consolidated income statement

[1] Result from investments accounted for at equity

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

€ million	Volkswagen AG	Porsche AG	Portfolio investments	Total **1st half of 2023**
Result from ongoing at equity accounting before purchase price allocations	2,381	345	-4	2,722
Effects from purchase price allocations	–15	–233	0	–249
Income from first-time at equity accounting of newly acquired shares				
Reversal of impairment				
	2,365	**112**	**-4**	**2,473**

€ million	Volkswagen AG	Porsche AG	Portfolio investments	Total 1st half of 2022
Result from ongoing at equity accounting before purchase price allocations	3,258[1]		-4	3,254[1]
Effects from purchase price allocations	–38[1]		0	–38[1]
Income from first-time at equity accounting of newly acquired shares	597[1]			597[1]
Reversal of Impairment			33	33
	3,817[1]		**28**	**3,845**[1]

1 Prior-year figures were adjusted due to the retrospective application of IAS 28 for the preference shares of Volkswagen AG held by Porsche SE and previously classified pursuant to IFRS 5 – including the finalization of the purchase price allocation – and due to the first-time application of IFRS 17. Please refer to the explanations in the section “Changes in the reporting period” and “Result from the investments in Volkswagen AG accounted for at equity”.

Result from the investments in Volkswagen AG accounted for at equity

In the prior-year period, Porsche SE acquired a total of 1.3%, or around 2.6 million, of the preference shares in Volkswagen AG for €400 million via the capital market. This represents a capital share of around 0.5%. This increased Porsche SE’s shareholding in Volkswagen AG to 31.9% of subscribed capital. The share in voting rights remained unchanged at 53.3%.

The acquisitions resulted overall in income from first-time at equity accounting of €597 million as a result of a bargain purchase. In the course of finalizing the purchase price allocation as of 31 December 2022, the difference calculated on a provisional basis in the comparative period was increased by €16 million.

Besides this, the decrease in the result from ongoing at equity accounting is also attributable to effects from the fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedges). Please refer to the explanations presented in the section “Results of operations of the Volkswagen Group” in the interim group management report.

Result from the investments in Porsche AG accounted for at equity

As a result of the acquisition of ordinary shares of Porsche AG, the result from investments accounted for at equity also includes the proportionate allocation of the group result after tax and non-controlling interests of the Porsche AG Group. The preliminary purchase price allocation performed in this context with the consolidated financial statements as of 31 December 2022 has since been finalized. The finalization of the purchase price allocation did not result in any material effects on the carrying amount of the investment as of 31 December 2022 or on the subsequent accounting effects in the current reporting period. As the result has only been attributed to Porsche SE since 29 September 2022, there are no prior-year comparative figures as of 30 June 2023.

[2] Income and expenses from investment valuation

The items income/expenses from investment valuation contain the valuation effects from portfolio investments measured at fair value. Reference is made to note [15] for aggregated disclosures on the fair values of the financial instruments of Porsche SE.

[3] Other operating expenses

Other operating expenses consist of:

€ million	**1st half of 2023**	1st half of 2022
Legal and consulting fees	4	7
Other external services	3	2
Sundry other operating expenses	2	3
	9	**13**

[4] Financial result

The financial result breaks down as follows:

€ million	**1st half of 2023**	1st half of 2022
Interest expense of financial liabilities, not measured at fair value through profit or loss (FVtPL)	– 153	
Interest result from hedging instruments	5	
Other finance costs	-2	-2
Finance costs	– 149	-2
Other financial result	6	-1
Financial result	**– 143**	**-2**

The increase in finance costs is related to the debt capital initially raised in the fourth quarter of 2022 (see note [11]). Using the effective interest method, this results in a total interest expense of €153 million in the first half of 2023. The interest result from hedging instruments consists of accrued interest from interest rate hedging instruments within hedge accounting and, on the other, from reclassifications from the cash flow hedge reserve of discontinued hedges that remain economically effective (see note [8]). It comprises expenses of €4 million and income of €10 million. Other finance costs primarily contain commitment fees of €1 million (€1 million). The other financial result largely comprises interest income from fixed-term deposits of €5 million (€0 million).

[5] Income tax

Income tax receivables in the reporting year largely relate to withheld capital gains tax for dividend payments received from Volkswagen AG and PTV Planung Transport Verkehr GmbH, Karlsruhe (“PTV”) relating to periods before the deconsolidation of PTV.

The deferred tax liabilities recognized in the balance sheet are primarily attributable to the higher carrying amount of the investment in Volkswagen AG accounted for at equity compared to the tax base.

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

€ million	**1st half of 2023**	1st half of 2022
Current tax expense (+) and income (-)	-2	0
Deferred tax expense (+) and income (-)	8	–26[1]
thereof related to the origination/reversal of temporary differences	10	40[1]
thereof deferred tax assets on tax loss carryforwards	-2	–66[1]
Income tax expense (income tax income)	**6**	**–26[1]**

[1] Prior-year figures were adjusted due to the retrospective application of IAS 28 for the preference shares of Volkswagen AG held by Porsche SE and previously classified pursuant to IFRS 5 and due to the first-time application of IFRS 17. Please refer to the explanations in the section "Changes in the reporting period".

The current tax income recognized is attributable to the reversal of provisions for income taxes for prior years. The deferred tax expense (net) for the reporting period is largely attributable to the higher year-on-year deferred tax liabilities on the carrying amount of the investment in Volkswagen AG accounted for at equity. This was offset by the resulting 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 Volkswagen AG accounted for at equity were recognized in the consolidated income statement in line with the share of the result from investments accounted for at equity recognized in the consolidated income statement and in other comprehensive income in line with the share of other comprehensive income attributable to the investment accounted for at equity.

[6] Result after tax from discontinued operations

There were no discontinued operations in the reporting period.

In the prior year, the business operations of PTV were classified as a discontinued operation until deconsolidation on 6 January 2022. The result from discontinued operations in the prior-year period relates to the deconsolidation gain of €96 million.

Notes to the consolidated balance sheet

[7] Investments accounted for at equity

€ million	Volkswagen AG	Porsche AG	Portfolio investments	Total
				30/6/2023
Investments accounted for at equity	48,659	10,207	137	59,004

€ million	Volkswagen AG	Porsche AG	Portfolio investments	Total
				31/12/2022
Investments accounted for at equity	48,232[1]	10,196[1]	116	58,545[1]

[1] Prior-year figures were adjusted due to the retrospective application of IAS 28 for the preference shares of Volkswagen AG held by Porsche SE and previously classified pursuant to IFRS 5 and due to the first-time application of IFRS 17. Please refer to the explanations in the section "Changes in the reporting period".

Investments in Volkswagen AG accounted for at equity

In light of a carrying amount of the investment in Volkswagen AG accounted for at equity of €48,659 million (€48,232 million) above the pro rata market capitalization of €24,402 million (€23,558 million) an impairment test was performed as of 30 June 2023.

In this process, the cash flows used in the prior year's impairment test were adjusted to reflect the latest assumptions. As for long-term earnings performance, there is an expectation that the assumptions will generally remain unchanged. Furthermore, the weighted average cost of capital was updated to 30 June 2023. As of the reporting date, it amounted to 9.7% (8.5%) after tax and 13.5% (11.9%) before tax.

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

The value in use determined in the impairment test was significantly higher than the carrying amount of the investment in Volkswagen AG accounted for at equity. The sensitivity analysis also yielded a value in use that was considerably higher than the carrying amount in all of the scenarios considered. As a result, there was no need to recognize an impairment loss as of 30 June 2023.

Investments in Porsche AG accounted for at equity

The ordinary shares of Porsche AG held by Porsche SE are not listed. Applying the stock price of the preference shares of Porsche AG plus an ordinary share premium of 7.5% would result in a proportionate value of Porsche SE's investment in Porsche AG of €13,925 million (€11,599 million) as of 30 June 2023, or €12,953 million (€10,790 million) without taking into account an ordinary share premium, which are thus both higher than the carrying amount accounted for at equity of €10,207 million (€10,196 million). There were thus no indications of impairment as of the reporting date.

Portfolio investments accounted for at equity

With regard to the other investments accounted for at equity, there were no indications of impairment as of 30 June 2023.

[8] Other financial assets

			30/6/2023			31/12/2022
€ million	current	non-current	Total	current	non-current	Total
Other portfolio investments		92	92		59	59
Derivative financial instruments		53	53		142	142
Sundry other financial assets	123	3	126	25	3	28
	123	**148**	**271**	**25**	**204**	**229**

The increase in other portfolio investments is primarily due to the acquisition of shares in portfolio investments.

The decrease in the carrying amount of the derivative financial instruments is largely due to the settlement of interest rate hedging instruments performed in the course of refinancing (see note [11]). On the date of their settlement, the instruments had a total positive market value of €83 million (excluding accrued interest). Due to the continuing economic hedging effect, profit or loss is not affected immediately at the time of the settlement, but rather simultaneously to the future profit or loss effects of the follow-up financing components in the form of a reclassification from the cash flow hedge reserve to the income statement. Furthermore, the settlement of interest rate hedging instruments to which hedge accounting is not applied led to a decrease of €13 million. The remaining changes result from changes in the fair value of interest rate derivatives designated as hedging instruments, which are recognized in other comprehensive income.

The increase in sundry other financial assets relates in particular to the dividend receivable from Porsche AG, which amounts to €114 million as a result of the resolution of the annual general meeting of Porsche AG on 28 June 2023. Volkswagen AG settling the special dividend receivable of €22 million on 9 January 2023 had an opposite effect. Based on the agreement to offset the special dividend claim of Porsche SE of €3.1 billion against the remaining purchase price liability for the second tranche of the ordinary shares in Porsche AG acquired by Porsche SE against Volkswagen of €3.0 billion, the special dividend receivable was presented net as of 31 December 2022.

[9] Equity

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

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

On 30 June 2023, the annual general meeting of Porsche SE resolved to distribute a dividend of €2.554 (€2.554) per ordinary share and €2.560 (€2.560) per preference share for the fiscal year 2022. Of the total dividend of €783 million (€783 million), €391 million (€391 million) thus relates to the holders of ordinary shares and €392 million (€392 million) to the holders of preference shares. As of 30 June 2023, the distribution obligation was recognized under other financial liabilities. The dividend was paid out on 5 July 2023.

[10] Other provisions

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

€ million	30/6/2023			31/12/2022		
	current	non-current	Total	current	non-current	Total
Provisions for bonuses and personnel costs	2	4	6	5	2	8
Provisions for costs of litigation	11	21	32	10	25	34
Sundry other provisions	13		13	14		14
	26	**25**	**51**	**29**	**27**	**56**

[11] Financial liabilities

Financial liabilities consist of:

€ million	30/6/2023			31/12/2022		
	current	non-current	Total	current	non-current	Total
Liabilities to banks	1,283	1,910	3,193	3,924	3,152	7,075
Schuldschein loan	44	2,718	2,763			
Bonds	6	745	751			
Lease liabilities	1	0	1	1	0	1
Other financial liabilities	0	0	0	17		17
	1,334	**5,374**	**6,708**	**3,941**	**3,152**	**7,093**

In connection with the acquisition of ordinary shares in Porsche AG, an initial bank loan of €7.1 billion was taken out in the prior year. Of this amount, €3.9 billion related to a bridge loan with a term of up to two years, €3.0 billion to a bank loan with a term of five years and €0.2 billion to a bank loan with a term of three years. The financing components are or were subject to variable interest rates based on the Euro Interbank Offered Rate (EURIBOR) plus a margin.

The bridge loan was presented as a current financial liability as of 31 December 2022 because, although Porsche SE had the unilateral option to extend the bridge loan by another year, its planning was based on the assumption that the bridge loan would be fully refinanced in the fiscal year 2023 and thus the option was not expected to be exercised.

In this context, Porsche SE successfully placed a Schuldschein loan of around €2.7 billion in March 2023. The promissory note comprises eight tranches with terms of three, five, seven and ten years, each of which is subject to a fixed or variable interest rate. Of the total volume, €1.0 billion is subject to a term of three years, €1.4 billion to a term of five years, €0.2 billion to a term of seven years and €0.2 billion to a term of ten years. Around 120 institutional investors such as banks, pension funds and insurance companies participated in the Schuldschein loan.

On 20 April 2023, Porsche SE also made its successful debut on the bond market. As part of a debt issuance program set up for this purpose, a first bond was issued with a total volume of €750 million, an annual coupon of 4.5% and a term until September 2028.

The proceeds from issuing the Schuldschein loan and this first bond were used by Porsche SE to refinance a significant part of the bridge loan. The bridge loan was repaid in full when the dividend of Volkswagen AG was paid out to Porsche SE in May 2023.

Furthermore, on 26 June 2023 Porsche SE issued a bond with a volume of €500 million, a coupon of 4.125% and a term until September 2027 as well as a bond with a volume of €750 million, a coupon on 4.25% and a term until September 2030. Upon payment on 4 July 2023, the proceeds from these bonds were used for the partial repayment of the five-year bank loan. By prepayment notice dated 26 June 2023, the five-year bank loan was reclassified to current financial liabilities in the corresponding amount.

[12] Other financial liabilities

Other financial liabilities largely comprise the dividend liability to the shareholders of Porsche SE totaling €783 million, which was recognized as a liability as of the reporting date due to the resolution of the annual general meeting of Porsche SE from 30 June 2023 and the payout on 5 July 2023. In the comparative period, the dividends had already been paid out to the shareholders of Porsche SE.

Other notes

[13] Consolidated statement of cash flows

Cash inflow from operating activities primarily contains the total dividend inflows of €1,415 million received by Porsche SE from Volkswagen AG. Of this, €1,393 million related to the ordinary dividend for the fiscal year 2022 and €22 million to the special dividend, which had been resolved by the annual general meeting of Volkswagen AG on 16 December 2022 in connection with the IPO and the sale of ordinary shares in Porsche AG, but not paid out until 9 January 2023. Porsche SE's special dividend claim against Volkswagen AG totaling €3,051 million was offset against the remaining purchase price liability for the second tranche of Porsche SE's acquisition of ordinary shares in Porsche AG to Volkswagen of €3,030 million. These dividend inflows were not subject to any capital gains tax deduction. In the prior year, the gross dividend of €1,201 million attributable to Porsche SE was initially subject to capital gains tax plus solidarity surcharge of 26.375% or €317 million and was only paid out in the amount of the net dividend of €884 million. The tax refund expected to result from this will be presented in the statement of cash flows as of the date of the refund under the item "Income tax received".

Cash outflow from investing activities is primarily attributable to the change in investments in securities as well as cash payments for the acquisition of shares in portfolio investments and the participation in a subsequent financing round of an existing portfolio investment.

Cash outflow from financing activities is mainly due to the repayment amount of the bridge loan exceeding the refinancing from the Schuldschein loan and the first bond.

[14] 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 investments in Volkswagen AG and in Porsche 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.

As chief operating decision maker, the board of management of Porsche SE uses the areas "core investments" and "portfolio investments" and their contribution to the result after tax as the basis for managing and allocating resources. Porsche SE's holding operations, comprising Porsche SE's corporate functions, including the holding financing function, are all allocated to the "core investments" for the purpose of managing resources.

The segment reporting of Porsche SE is based on the internal management and reporting within the Porsche SE Group and, on the basis of the two-part investment strategy, reports the two segments "core investments" and "portfolio investments".

The methods mentioned in the section "Accounting policies" apply to the segment reporting. The group carrying amounts are the aggregate of the two segments.

€ million	Core investments	Portfolio investments	**Group 1st half of 2023**
Result from investment in Volkswagen AG accounted for at equity	2,365		2,365
Result from investment in Porsche AG accounted for at equity	112		112
Result from investment in portfolio investments accounted for at equity		-4	-4
Result from investments accounted for at equity	**2,477**	**-4**	**2,473**
Income from investment valuation		1	1
Expenses from investment valuation		0	0
Result from investments	**2,477**	**-4**	**2,474**
Other operating income	1	0	1
Personnel expenses	-8		-8
Amortization and depreciation	0		0
Other operating expenses	-8	-1	-9
Result before financial result	**2,462**	**-4**	**2,458**
Finance costs	–149		–149
Other financial result	6		6
Result before tax	**2,319**	**-4**	**2,314**
Income taxes	-6	0	-6
Result after tax	**2,313**	**-4**	**2,308**

€ million	Core investments	Portfolio investments	Group 1st half of 2022
Result from investment in Volkswagen AG accounted for at equity	3,817[1]		3,817[1]
Result from investment in portfolio investments accounted for at equity		28	28
Result from investments accounted for at equity	**3,817**[1]	**28**	**3,845**[1]
Income from investment valuation		12	12
Expenses from investment valuation		-9	-9
Result from investments	**3,817**[1]	**32**	**3,849**[1]
Other operating income	1	0	1
Personnel expenses	-8		-8
Amortization and depreciation	0		0
Other operating expenses	–12	-1	–13
Result before financial result	**3,798**[1]	**31**	**3,829**[1]
Finance costs	-2		-2
Other financial result	-1		-1
Result before tax	**3,796**[1]	**31**	**3,827**[1]
Income taxes	26[1]	0	26[1]
Result after tax from continuing operations	**3,822**[1]	**31**	**3,853**[1]

[1] Prior-year figures were adjusted due to the retrospective application of IAS 28 for the preference shares of Volkswagen AG held by Porsche SE and previously classified pursuant to IFRS 5 and due to the first-time application of IFRS 17. Please refer to the explanations in the section “Changes in the reporting period”.

[15] Financial instruments

The principles and techniques used for fair value measurement remained unchanged year on year. Detailed explanations can be found in the consolidated financial statements as of 31 December 2022 in the section "Accounting policies".

The financial instruments measured at fair value largely comprise shares in portfolio investments and interest rate hedging instruments.

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

	30/6/2023				
	Measured at fair value	Measured at amortized cost		Not assigned to any measurement category	Balance sheet item
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	
Non-current assets					
Investments accounted for at equity	n/a	n/a	n/a	59,004	59,004
Other financial assets	145	3	3	n/a	148
Current assets					
Other financial assets	3	120	120	n/a	123
Securities	n/a	413	413	n/a	413
Time deposits	n/a	185	185	n/a	185
Cash and cash equivalents	n/a	714	714	n/a	714
Non-current liabilities					
Financial liabilities	n/a	5,374	5,605	n/a	5,374
Other financial liabilities	0	n/a	n/a	n/a	0
Current liabilities					
Trade payables	n/a	3	3	n/a	3
Financial liabilities	0	1,334	1,373	n/a	1,334
Other financial liabilities	n/a	784	784	n/a	784

	31/12/2022				
	Measured at fair value	Measured at amortized cost		Not assigned to any measurement category	Balance sheet item
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	
Non-current assets					
Investments accounted for at equity	n/a	n/a	n/a	58,545[1]	58,545[1]
Other financial assets	200	3	3	n/a	204
Current assets					
Other financial assets	n/a	25	25	n/a	25
Securities	n/a	70	70	n/a	70
Time deposits	n/a	265	265	n/a	265
Cash and cash equivalents	n/a	86	86	n/a	86
Non-current liabilities					
Financial liabilities	n/a	3,152	3,152	n/a	3,152
Current liabilities					
Trade payables	n/a	4	4	n/a	4
Financial liabilities	17	3,924	3,924	n/a	3,941
Other financial liabilities	n/a	1	1	n/a	1

[1] Prior-year figures were adjusted due to the retrospective application of IAS 28 for the preference shares of Volkswagen AG held by Porsche SE and previously classified pursuant to IFRS 5 and due to the first-time application of IFRS 17. Please refer to the explanations in the section “Changes in the reporting period”.

The allocation of fair value to the 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, the inputs used are yield curves or index and currency rates. The presented fair values of the financial instruments 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. For financial liabilities not measured at fair value, fair value can be derived directly from observable market prices in the case of the bond and in the case of the remaining bank loans as well as the Schuldschein loan by calculating present values using yield curves and risk premiums of own bonds. The carrying amount of current assets and current liabilities not measured at fair value through profit or loss – apart from current financial liabilities – 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	**30/6/2023**	Level 1	Level 2	Level 3
Financial instruments measured at fair value				
Non-current other financial assets	145	3	53	88
Current other financial assets	3		3	
Non-current other financial liabilities	0		0	
Current financial liabilities	0		0	

€ million	31/12/2022	Level 1	Level 2	Level 3
Financial instruments measured at fair value				
Non-current other financial assets	200	3	142	56
Current financial liabilities	17	0	17	0

The interest rate swaps entered into to hedge the interest rate risk from financial debt raised (see note [11]) are recognized under current other financial assets or current financial liabilities in the amount of the interest result caused in the current interest period and by the reporting date. The remaining fair value (clean price) is recognized under non-current other financial assets or non-current other financial liabilities. The fair values of the interest rate swaps constitute level 2 fair values as their measurement is based on observable yield curves.

Non-current other financial assets also contain shares in portfolio investments. The fair value of these assets is based on stock prices or information derived from recent financing measures.

There were no transfers between the levels in the reporting year and the prior year.

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

€ million	**2023**
Fair value as of 1 January	56
Profit recognized through profit or loss	1
Investments	42
Reclassifications	–10
Fair value as of 30 June	**88**

The profit of €1 million recognized through profit or loss from the fair value measurement are presented in the consolidated income statement under the item income from investment valuation. The profit recognized through profit or loss contain unrealized gains of €1 million.

[16] Contingent liabilities from legal disputes

For new developments with regard to legal disputes, please refer to the section “Significant events and developments at the Porsche SE Group” in the interim group management report.

[17] Related parties

In the reporting period and the comparative period, related parties included the associates as well as their subsidiaries and concern in particular Volkswagen AG and its subsidiaries including Porsche AG and its subsidiaries. With regard to the disclosures and information on the acquisition of ordinary shares in Porsche AG by Porsche SE from Volkswagen, reference is made to the section “Changes in the reporting period” in the consolidated financial statements as of 31 December 2022 and note [22] in the consolidated financial statements as of 31 December 2022.

The table below contains the receivables and liabilities contained in the balance sheet as of the reporting date as well as the supplies and services rendered and received and other income and expenses for the reporting period resulting from business transactions between the Porsche SE Group and its related parties:

	Supplies and services rendered and other income		Supplies and services received and other expenses	
€ million	**1st half of 2023**	1st half of 2022	**1st half of 2023**	1st half of 2022
Porsche and Piëch families		0		
Associates	0	0	2	2
	0	**0**	**2**	**2**

	Receivables		Liabilities	
€ million	**30/6/2023**	31/12/2022	**30/6/2023**	31/12/2022
Porsche and Piëch families				
Associates	114	22	10	10
	114	**22**	**10**	**10**

The dividend of €114 million received from Porsche AG of on 3 July 2023, based on the resolution by the annual general meeting of Porsche AG on 28 June 2023, is included in the table above as a receivable from associates as of 30 June 2023.

The special dividend claim against Volkswagen of €3,051 million offset against the remaining purchase price liability for the second tranche of the ordinary shares in Porsche AG acquired by Porsche SE of €3,030 million is presented in the table above on a net basis in the amount of €22 million as of 31 December 2022 under receivables from associates. Upon payment of the special dividend on 9 January 2023, the set-off process was completed.

The tables above do not include the dividend of €1,393 million received on 15 May 2023, based on the resolution of the annual general meeting of Volkswagen AG on 10 May 2023 (in the prior year €884 million after deduction of capital gains tax and solidarity surcharge). No capital gains tax was withheld for the dividends received (in the prior year capital gains tax of €317 million was withheld).

[18] Subsequent events

The dividend for the fiscal year 2022 resolved by the annual general meeting of Porsche AG on 28 June 2023 was received by Porsche SE on 3 July 2023, amounting to €114 million in proportion to its capital share.

Of the bonds that Porsche SE had issued on 26 June 2023 with a total nominal volume of €1,250 million, €1,240 million was paid out on 4 July 2023. The proceeds were used entirely to refinance part of the five-year bank loan, which had been raised for the acquisition of ordinary shares in Porsche AG in the prior year.

The dividend for the fiscal year 2022 resolved by the annual general meeting of Porsche SE on 30 June 2023 of €783 million was paid out on 5 July 2023.

On 26 July 2023, Volkswagen entered into an agreement with the electric vehicle company XPeng Inc., Cayman Islands (“XPeng Inc.”), to acquire up to 4.99% of the ordinary shares of XPeng Inc. for a total purchase price of up to US$710 million. The transaction is expected to close in the fourth quarter of 2023. At the same time, Volkswagen signed a technological framework agreement with Guangdong Xiaopeng Automotive Technology Co. Ltd., Guangzhou, People’s Republic of China, a subsidiary company of XPeng Inc., for the joint development of electric vehicles in China.

With the exception of the developments presented in the interim group management report in the sections “Significant events and developments at the Porsche SE Group” and “Significant events and developments at the Volkswagen Group”, there were no other reportable events after 30 June 2023.

[19] 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 2022 and made it permanently accessible to shareholders on the company's website at www.porsche-se.com/en/company/corporate-governance/.

Stuttgart, 7 August 2023

Porsche Automobil Holding SE
The board of management

Hans Dieter Pötsch Dr. Manfred Döss Dr. Johannes Lattwein Lutz Meschke

On completion of our review, we issued the following unqualified review report dated 7 August 2023 in German language. The following text is a translation of this review report. The German text is authoritative:

Review Report

To Porsche Automobil Holding SE

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and selected explanatory notes – and the interim group management report of Porsche Automobil Holding SE, Stuttgart, for the period from 1 January 2023 to 30 June 2023, which are part of the half year financial report pursuant to § (Article) 115 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act], The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the company's executive directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted Standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those Standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial Statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of Company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial Statement audit. Since, in accordance with our engagement, we have not performed a financial Statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements of Porsche Automobil Holding SE, Stuttgart, for the period from 1 January 2023 to 30 June 2023, have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, 7 August 2023

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Martin Jonas	Prof. Dr. Thomas Senger
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility statement

We assure to the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the fiscal year.

Stuttgart, 7 August 2023

Porsche Automobil Holding SE
The board of management

Hans Dieter Pötsch Dr. Manfred Döss Dr. Johannes Lattwein Lutz Meschke

Financial calendar

13 November 2023

Group quarterly statement 3rd Quarter 2023

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