



PORSCHE

Consolidated Financial Statements of Dr. Ing. h.c. F. Porsche Aktiengesellschaft

for the Reporting Period from January 1, 2021 to December 31, 2021



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Consolidated Financial Statements
of Dr. Ing. h.c. F. Porsche Aktiengesellschaft
for the Reporting Period from
January 1, 2021 to December 31, 2021

Consolidated Income Statement

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2021

€ million	Note	2021	2020
Sales revenue	[1]	33,138	28,695
Cost of sales ¹⁾	[2]	- 24,281	- 21,155
Gross profit		8,857	7,540
Distribution expenses	[3]	- 2,111	- 1,881
Administrative expenses ¹⁾	[4]	- 1,426	- 1,255
Other operating income	[5]	1,079	953
Other operating expenses ¹⁾	[6]	- 1,085	- 1,180
Operating profit		5,314	4,177
Share of profit or loss of equity-accounted investments	[7]	- 22	- 10
Interest income	[8]	421	406
Interest expenses	[8]	- 113	- 129
Other financial result	[9]	129	- 47
Financial result		415	220
Profit before tax		5,729	4,397
Income tax income/expense	[10]	- 1,691	- 1,231
Current		- 1,528	- 998
Deferred		- 163	- 233
Profit after tax		4,038	3,166
thereof profit attributable to shareholders	[24]	4,032	3,162
thereof profit attributable to non-controlling interests	[11]	6	4
Profit transferred to Porsche Holding Stuttgart GmbH	[24]	- 1,858	- 1,860

¹⁾ The prior-year figures were adjusted.

Consolidated Statement of Comprehensive Income

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2021

€ million	Total	Attributable to shareholders	Attributable to non-controlling interests
2021			
Profit after tax	4,038	4,032	6
Pension plan remeasurements recognized in other comprehensive income			
Pension plan remeasurements recognized in other comprehensive income, before tax	877	877	–
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	– 261	– 261	–
Pension plan remeasurements recognized in other comprehensive income, net of tax	616	616	–
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	43	43	–
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	0	0	–
Items that will not be reclassified to profit or loss	659	659	–
Foreign exchange differences			
Unrealized currency translation gains/losses	397	396	1
Transferred to profit or loss	0	–	–
Exchange differences on translating foreign operations, before tax	397	396	1
Deferred taxes relating to exchange differences on translating foreign operations	–	–	–
Exchange differences on translating foreign operations, net of tax	397	396	1
Hedging			
Fair value changes recognized in other comprehensive income (OCI I)	– 1,523	– 1,523	–
Transferred to profit or loss (OCI I)	– 75	– 75	–
Cash flow hedges (OCI I), before tax	– 1,598	– 1,598	–
Deferred taxes relating to cash flow hedges (OCI I)	480	480	–
Cash flow hedges (OCI I), net of tax	– 1,118	– 1,118	–
Fair value changes recognized in other comprehensive income (OCI II)	– 391	– 391	–
Transferred to profit or loss (OCI II)	570	570	–
Cash flow hedges (OCI II), before tax	179	179	–
Deferred taxes relating to cash flow hedges (OCI II)	– 54	– 54	–
Cash flow hedges (OCI II), net of tax	125	125	–
Fair value valuation of debt instruments that may be reclassified to profit or loss			
Fair value changes recognized in other comprehensive income	–	–	–
Transferred to profit or loss	–	–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	–	–	–
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	–	–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	–	–	–
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	1	1	–
Items that may be reclassified subsequently to profit or loss	– 595	– 596	1
Other comprehensive income, before tax	– 101	– 102	1
Deferred taxes relating to other comprehensive income	165	165	–
Other comprehensive income, net of tax	64	63	1
Total comprehensive income	4,102	4,095	7

Consolidated Statement of Comprehensive Income

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2020

€ million	Total	Attributable to shareholders	Attributable to non-controlling interests
2020			
Profit after tax	3,166	3,162	4
Pension plan remeasurements recognized in other comprehensive income			
Pension plan remeasurements recognized in other comprehensive income, before tax	6	6	0
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	4	4	- 0
Pension plan remeasurements recognized in other comprehensive income, net of tax	10	10	-
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	- 0	- 0	-
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	- 1	- 1	-
Items that will not be reclassified to profit or loss	9	9	-
Foreign exchange differences			
Unrealized currency translation gains/losses	- 340	- 340	- 0
Transferred to profit or loss	- 0	- 0	-
Exchange differences on translating foreign operations, before tax	- 340	- 340	- 0
Deferred taxes relating to exchange differences on translating foreign operations	-	-	-
Exchange differences on translating foreign operations, net of tax	- 340	- 340	- 0
Hedging			
Fair value changes recognized in other comprehensive income (OCI I)	1,391	1,391	-
Transferred to profit or loss (OCI I)	- 283	- 283	-
Cash flow hedges (OCI I), before tax	1,108	1,108	-
Deferred taxes relating to cash flow hedges (OCI I)	- 332	- 332	-
Cash flow hedges (OCI I), net of tax	776	776	-
Fair value changes recognized in other comprehensive income (OCI II)	- 492	- 492	-
Transferred to profit or loss (OCI II)	521	521	-
Cash flow hedges (OCI II), before tax	29	29	-
Deferred taxes relating to cash flow hedges (OCI II)	- 7	- 7	-
Cash flow hedges (OCI II), net of tax	22	22	-
Fair value valuation of debt instruments that may be reclassified to profit or loss			
Fair value changes recognized in other comprehensive income	-	-	-
Transferred to profit or loss	-	-	-
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	-	-	-
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	-	-	-
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	-	-	-
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	- 0	- 0	-
Items that may be reclassified subsequently to profit or loss	458	458	- 0
Other comprehensive income, before tax	802	802	- 0
Deferred taxes relating to other comprehensive income	- 335	- 335	- 0
Other comprehensive income, net of tax	467	467	- 0
Total comprehensive income	3,633	3,629	4

Equity is explained in note [24].

Consolidated Statement of Financial Position

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft as of December 31, 2021

€ million	Note	Dec. 31, 2021	Dec. 31, 2020
Assets			
Intangible assets	[12]	6,190	5,437
Property, plant and equipment	[13] [34]	8,763	8,695
Leased assets	[15] [34]	3,954	3,614
Equity-accounted investments	[14]	573	167
Other equity investments	[14]	313	217
Financial services receivables	[18]	3,461	2,414
Other financial assets	[19]	8,596	8,870
Other receivables	[20]	113	164
Deferred tax assets	[10] [21]	867	817
Non-current assets		32,830	30,395
Inventories	[16]	4,517	4,108
Trade receivables	[17]	1,199	1,081
Financial services receivables	[18]	1,081	1,122
Other financial assets	[19]	5,353	2,761
Other receivables	[20]	579	606
Tax receivables	[21]	155	163
Securities	[22]	982	755
Cash, cash equivalents and time deposits	[23]	4,686	4,500
Current assets		18,552	15,096
		51,382	45,491
Equity and Liabilities			
Subscribed capital	[24]	45	45
Capital reserves	[24]	14,225	13,754
Retained earnings	[24]	9,146	6,302
Other reserves	[24]	- 489	118
Equity before non-controlling interests	[24]	22,927	20,219
Non-controlling interests	[24]	8	5
Equity		22,935	20,224
Provisions for pensions and similar obligations	[25]	5,525	5,932
Other provisions	[26]	1,184	939
Deferred tax liabilities	[10] [31]	782	685
Financial liabilities	[27]	6,599	5,668
Other financial liabilities	[29]	633	285
Other liabilities	[30]	645	473
Non-current liabilities		15,368	13,982
Provisions for taxes	[31]	126	111
Other provisions	[26]	2,189	1,849
Financial liabilities	[27]	3,128	2,657
Trade payables	[28]	2,447	2,335
Other financial liabilities	[29]	3,638	2,959
Other liabilities	[30]	1,486	1,331
Tax payables	[31]	65	43
Current liabilities		13,079	11,285
		51,382	45,491

Consolidated Statement of Cash Flows

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2021

€ million	2021	2020
Cash and cash equivalents at beginning of period	4,344	3,174
Profit before tax	5,729	4,397
Income taxes paid	- 1,552	- 837
Depreciation, amortization and impairment losses	3,214	3,357
Gain/loss on disposal of non-current assets	35	49
Share of profit or loss of equity-accounted investments	23	15
Other non-cash expense/income	- 222	- 13
Change in inventories	- 152	- 223
Change in receivables (excluding financial services)	- 409	- 734
Change in liabilities (excluding financial liabilities)	543	- 134
Change in pension provisions	471	493
Change in other provisions	539	- 299
Change in leased assets	- 931	- 945
Change in financial services receivables	- 872	- 987
Cash flows from operating activities	6,416	4,140
Investments in intangible assets (excluding capitalized development costs), and property, plant and equipment	- 1,442	- 1,547
Additions to capitalized development costs	- 1,601	- 1,225
Change in equity investments	- 352	- 46
Cash received from disposal of intangible assets and property, plant and equipment	21	48
Change in investments in securities	- 283	- 300
Change in loans and time deposits	- 2,308	51
Cash flows from investing activities	- 5,965	- 3,019
Capital contributions	471	1,028
Profit transfer and dividends	- 1,864	- 1,802
Capital transactions with non-controlling interests	-	-
Proceeds from issuance of bonds	5,243	3,222
Repayment of bonds	- 3,814	- 2,550
Change in other financial liabilities	- 444	282
Repayments of lease liabilities	- 110	- 102
Cash flows from financing activities	- 518	78
Effect of exchange rate changes on cash and cash equivalents	50	- 29
Net change in cash and cash equivalents	- 67	1,199
Cash and cash equivalents at end of period	4,327	4,344
Cash and cash equivalents at end of period	4,327	4,344
Securities, loans and time deposits	4,079	1,518
Gross liquidity	8,406	5,862

The statement of cash flows is explained in note [32].

Consolidated Statement of Changes in Equity

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2021

€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation
Balance at Jan. 1, 2020	45	12,726	4,991	167
Profit after tax	–	–	3,162	–
Other comprehensive income, net of tax	–	–	10	– 340
Total comprehensive income	–	–	3,172	– 340
Disposal of equity instruments	–	–	–	–
Capital contribution	–	1,028	–	–
Profit transfer and dividends payment	–	–	– 1,860	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	– 1	–
Balance at Dec. 31, 2020	45	13,754	6,302	– 173
Balance at Jan. 1, 2021	45	13,754	6,302	– 173
Profit after tax	–	–	4,032	–
Other comprehensive income, net of tax	–	–	616	396
Total comprehensive income	–	–	4,648	396
Disposal of equity instruments	–	–	54	–
Capital contribution	–	471	–	–
Profit transfer and dividends payment	–	–	– 1,858	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	–	–
Balance at Dec. 31, 2021	45	14,225	9,146	223

		Other reserves				
Hedging						
Cash flow hedges (OCI I)	Deferred costs of hedging (OCI II)	Equity and debt instruments	Equity-accounted investments	Non-controlling interests	Total equity	
- 19	- 487	-	0	5	17,428	
-	-	-	-	4	3,166	
776	22	- 0	- 1	- 0	467	
776	22	- 0	- 1	4	3,633	
-	-	-	-	-	-	
-	-	-	-	-	1,028	
-	-	-	-	- 4	- 1,864	
-	-	-	-	-	-	
-	-	-	-	-	- 1	
757	- 465	- 0	- 1	5	20,224	
757	- 465	- 0	- 1	5	20,224	
-	-	-	-	6	4,038	
- 1,118	125	43	1	1	64	
- 1,118	125	43	1	7	4,102	
-	-	- 54	-	-	-	
-	-	-	-	-	471	
-	-	-	-	- 4	- 1,862	
-	-	-	-	-	-	
-	-	-	- 0	-	-	
- 361	- 340	- 11	- 0	8	22,935	

Equity is explained in note [24].

Notes to the Consolidated Financial Statements

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft as of December 31, 2021

BASIS OF PRESENTATION

Dr. Ing. h.c. F. Porsche Aktiengesellschaft ("Porsche AG") is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. Porsche AG's subscribed capital is held in full by Porsche Holding Stuttgart GmbH, Stuttgart, and a control and profit and loss transfer agreement is in place between the two entities. Porsche AG and its fully consolidated subsidiaries together with Porsche Holding Stuttgart GmbH are included in the consolidated financial statements of Volkswagen AG which are filed with the elektronische Bundesanzeiger (German Electronic Federal Gazette). The business purpose of Porsche AG and its subsidiaries ("Porsche AG group") is to manufacture and sell vehicles and engines of all kinds as well as other parts and components for these and other technical products. In addition, the business purpose includes performing development work and design engineering, including but not limited to vehicle and engine construction; consulting in the fields of development and manufacturing, including but not limited to vehicle and engine construction; consulting and development in the field of data processing as well as the production and distribution of data-processing products; marketing of merchandise and exploitation of brand rights, including but not limited to those containing the word "Porsche"; as well as all other activities that are technically or economically related, including the exploitation of intellectual property rights. Another of the Porsche AG group's business areas are financial services. This includes financing and leasing services for customers and dealers.

Volkswagen AG holds 100 per cent of the share capital of Porsche Holding Stuttgart GmbH and is thus the ultimate parent company of the Porsche AG group. A control and profit and loss transfer agreement has been in place between Volkswagen AG and Porsche Holding Stuttgart GmbH since fiscal year 2013.

The voluntary consolidated financial statements of Porsche AG as of December 31, 2021 are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The standards published by the International Accounting Standards Board (IASB), London, that are applicable as of the reporting date as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that are valid for the reporting period are taken into account.

The reporting period of the Porsche AG group (Porsche AG and its subsidiaries) covers the period from January 1, 2021 to December 31, 2021 and thus corresponds to the 12-month fiscal year of the legal parent company Porsche AG and of the ultimate parent company Volkswagen AG.

The group's presentation currency is the euro. Unless otherwise stated, all figures in the notes are presented in millions of euros (€ million). All amounts are rounded in line with common business practice; this can lead to minor differences in total amounts.

The accounting policies were generally the same as those applied in the prior year. The only changes were those necessitated by amended standards.

The income statement has been prepared using the function of expense method, as is common international practice.

Over the course of 2021, many restrictions stemming from the Covid-19 pandemic were lifted due in part to rising vaccination rates. No significant impairment losses relating to the Covid-19 pandemic had to be recognized in the consolidated financial statements as of December 31, 2021.

Supply shortages for semiconductors and resulting delivery bottlenecks had an increasingly negative impact across the entire industry. At the Porsche AG group, this likewise had an impact on the production and availability of vehicles for the customers of Porsche vehicles. As a result of this, the Porsche AG group saw a decrease in inventories of finished goods in the fiscal year while raw materials and work in process increased (see also the explanations in note [16]).

Preparing the consolidated financial statements in accordance with the above standards requires assumptions to be made regarding some items, which affect the amounts recognized and measured in the consolidated statement of financial position or consolidated income statement of the Porsche AG group and the disclosure of contingent assets and contingent liabilities. The consolidated financial statements give a true and fair view of the net assets, financial position and results of operations and the cash flows of the group.

The Executive Board prepared the consolidated financial statements of Porsche AG on February 21, 2022, and authorized their issue to the Supervisory Board. The period subsequent to the reporting date for which adjusting events can be disclosed ends on that date.

BASIS OF CONSOLIDATION

In addition to Porsche AG, the consolidated financial statements include all material German and foreign subsidiaries, including structured entities, that are controlled directly or indirectly by Porsche AG. Control exists if Porsche AG has power over the potential subsidiary, directly or indirectly, as a result of voting rights or other rights, participates in positive or negative variable returns from the potential subsidiary and is able to affect those returns. There are no significant restrictions.

The main purpose of the structured entities is to facilitate asset-backed securities transactions for the purpose of refinancing the financial services business and to invest financial resources in special securities funds. Subsidiaries are included in the consolidated financial statements from the date on which control is gained; they are deconsolidated when control no longer exists.

Subsidiaries that are dormant or have only negligible business activities, and unconsolidated structured entities that are not material, individually and in aggregate, for the purpose of giving a true and fair view of the net assets, financial position and results of operations, as well as the cash flows of the Porsche AG group, are not consolidated. They are carried in the consolidated financial statements at cost less any impairments and reversals of impairments required to be recognized.

Material companies where Porsche AG is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or where Porsche AG has joint control, directly or indirectly, together with another party (joint ventures), are accounted for at equity. Associates and joint ventures of immaterial importance are recognized at their respective acquisition costs or lower fair values.

The composition of the Porsche AG group is shown in the table below:

	2021	2020
Parent company and consolidated subsidiaries including special security funds		
Germany	28	29
Abroad	85	84
	113	113
Subsidiaries carried at cost		
Germany	10	10
Abroad	32	31
	42	41
Associates, joint ventures and other equity investments		
Germany	21	16
Abroad	32	20
	53	36
	208	190

The foreign company Porsche Financial Leasing Ltd., Shanghai, has been consolidated for the first time in the reporting period. The German company Invesco Fonds Nr. 140, Frankfurt am Main, was deconsolidated in the reporting period.

With the first-time consolidation of the one foreign company as well as the deconsolidation of the one German company, the number of fully consolidated subsidiaries has not changed. Individually and in aggregate, the changes in the consolidated group did not have any material impact on the presentation of the group's situation.

From the group's perspective, the non-consolidated structured companies are immaterial. In particular, there are no significant risks for the group.

The associate Bertrandt is an engineering partner of companies in the automotive and aviation industries. Its activities range from the development of individual components to complex modules and complete solutions. Bertrandt's main branch is in Ehningen.

As of December 31, 2021, the shares in Bertrandt had a quoted value of €168 million (prior year: €116 million).

In fiscal year 2021, a reversal of impairment losses of €51 million (prior year: impairment of €115 million) on the recoverable amount of €166 million (prior year: €120 million) was recognized in other income and expenses from equity investments due to the permanent increase in the quoted market price. The recoverable amount is the fair value less costs to sell (prior year: value in use). The fair value was determined on the basis of the quoted market price.

The Porsche AG group increased its shareholding in Rimac Automobili d.o.o. from 15 per cent to 24.31 per cent. This results in a significant influence being exercised over it and the equity investment being classified as an associate. On account of further capital increases at Rimac Automobili d.o.o. without the involvement of the Porsche AG group, the capital share fell to around 22.0 per cent as of December 31, 2021. The Croatian company

based in Sveta Nedelja (Croatia), develops and produces high-tech components for battery-electric-driven vehicles.

Porsche AG acquired the shares in Bugatti Rimac d.o.o. in December 2021. Porsche holds 45 per cent of the shares. Porsche exercises significant influence over the company, qualifying it as an associate. It is being consolidated at equity for the first time on a provisional basis. Bugatti Rimac d.o.o. is headquartered in Sveta Nedelja, Croatia. Bugatti Rimac d.o.o. produces Bugatti and Rimac sports cars.

In December 2021, Porsche AG acquired a 49 per cent shareholding in Bugatti International Holding S.à.r.l. Bugatti Rimac d.o.o. holds a 51 per cent stake in Bugatti International Holding S.à.r.l., a joint venture based in Luxembourg City (Luxembourg). On account of option agreements and their terms, the shares in Bugatti International Holding S.à.r.l. are classified as financial instrument, measured at fair value and recognized under other financial assets.

IONITY Holding GmbH & Co. KG develops and markets a network of fast-charging stations for electric vehicles in Europe. This is a joint venture of Porsche, Daimler, BMW, Ford and Kia/Hyundai. This resulted in a voting share of the Porsche AG group of 20 per cent (prior year: 20 per cent). The joint venture is included in the consolidated financial statements using the equity method. IONITY Holding GmbH & Co. KG has its headquarters in Munich.

Agreements have been concluded with an external investor to further finance the development of the location. In this regard, the capital of IONITY Holding GmbH & Co. KG is being gradually increased over a period of three years. Porsche Erste Beteiligungsgesellschaft mbH will also contribute €40 million to the capital increase, the same amount as the other previous owners. The financing transaction is subject to approval by the relevant authorities. As soon as approval has been obtained, IONITY Holding GmbH & Co. KG will no longer be classified as joint venture. Porsche AG's voting share will decrease from 20.00 per cent to 15.12 per cent. Significant influence will then be exercised on account of co-determination rights. IONITY Holding GmbH & Co. KG will then be classified as associate and continue to be accounted for at equity.

Summarized financial information relating to associates on a 100 per cent basis:

€ million	Bertrandt ¹⁾
2021	
Shareholding (in %)	29
Non-current assets	610
Current assets	476
Non-current liabilities	407
Current liabilities	155
Net assets	524
Sales revenue	846
Profit/loss from continuing operations after tax	- 16
Profit/loss from discontinued operations after tax	-
Other comprehensive income	0
Total comprehensive income	- 16
Dividends received	0
2020	
Shareholding (in %)	29
Non-current assets	666
Current assets	481
Non-current liabilities	408
Current liabilities	198
Net assets	541
Sales revenue	915
Profit/loss from continuing operations after tax	- 19
Profit/loss from discontinued operations after tax	-
Other comprehensive income	- 1
Total comprehensive income	- 20
Dividends received	5

¹⁾ The disclosures for Bertrandt's statement of financial position relate to the September 30, 2021 reporting date; the income statement disclosures for fiscal year 2021 relate to the period from October 1, 2020 to September 30, 2021, and those for fiscal year 2020 to the period from October 1, 2019 to September 30, 2020.

Reconciliation of the financial information to the carrying amount of the investment:

€ million	Bertrandt
2021	
Net assets as of Jan. 1	541
Profit/loss	- 16
Other comprehensive income	0
Change in reserves	-
Dividend	- 1
Net assets as of Dec. 31	524
Attributable share of net assets	152
Consolidation/goodwill/other	14
Carrying amount of the investment	166
2020	
Net assets as of Jan. 1	577
Profit/loss	- 19
Other comprehensive income	- 1
Change in reserves	-
Dividend	- 16
Net assets as of Dec. 31	541
Attributable share of net assets	157
Consolidation/goodwill/other	- 37
Carrying amount of the investment	120

There are contingent liabilities due to associates of €121 million.

Summarized financial information relating to joint ventures on a 100 per cent basis:

€ million	IONITY
2021	
Shareholding (in %)	20
Non-current assets	287
Current assets	49
thereof cash, cash equivalents and time deposits	19
Non-current liabilities	16
thereof financial liabilities	0
Current liabilities	111
thereof financial liabilities	–
Net assets	209
Sales revenue	30
Amortization and depreciation	– 26
Interest income	–
Interest expenses	– 2
Profit/loss before tax from continuing operations	– 41
Income tax expense	6
Profit/loss from continuing operations after tax	– 35
Profit/loss from discontinued operations after tax	–
Other comprehensive income	–
Total comprehensive income	– 35
Dividends received	–
2020	
Shareholding (in %)	20
Non-current assets	244
Current assets	55
thereof cash, cash equivalents and time deposits	17
Non-current liabilities	13
thereof financial liabilities	0
Current liabilities	42
thereof financial liabilities	–
Net assets	244
Sales revenue	7
Amortization and depreciation	– 19
Interest income	–
Interest expenses	– 1
Profit/loss before tax from continuing operations	– 44
Income tax expense	8
Profit/loss from continuing operations after tax	– 37
Profit/loss from discontinued operations after tax	–
Other comprehensive income	–
Total comprehensive income	– 37
Dividends received	–

Reconciliation of the financial information to the carrying amount of the investment:

€ million	IONITY
2021	
Net assets as of Jan. 1	243
Profit/loss	- 35
Other comprehensive income	-
Change in reserves	-
Foreign exchange differences	-
Dividend	-
Net assets as of Dec. 31	208
Attributable share of net assets	42
Consolidation/goodwill/other	- 3
Carrying amount of the investment	39
2020	
Net assets as of Jan. 1	205
Profit/loss	- 37
Other comprehensive income	-
Change in reserves	75
Foreign exchange differences	-
Dividend	-
Net assets as of Dec. 31	243
Attributable share of net assets	49
Consolidation/goodwill/other	- 3
Carrying amount of the investment	46

There are no contingent liabilities due to joint ventures.

CONSOLIDATION PRINCIPLES

The financial statements of the subsidiaries are prepared as of the reporting date of the consolidated financial statements, which is the reporting date of the parent company.

Business combinations are accounted for by applying the acquisition method pursuant to IFRS 3 (revised 2008).

BUSINESS COMBINATIONS AND DECONSOLIDATIONS

The cost of a business acquisition is measured in accordance with IFRS 3 as the aggregate of the consideration transferred at fair value as of the acquisition date and the non-controlling interests in the entity. The non-controlling interests can be measured either at fair value or at the proportionate share of the acquiree's identifiable net assets, but excluding goodwill. Acquisition-related costs that are not equity transaction costs are expensed and therefore do not constitute a component of cost. Contingent consideration is measured at its fair value at the date of acquisition. The measurement of contingent consideration at the date of acquisition is not generally adjusted to reflect subsequent changes in value.

When subsidiaries are initially consolidated, the identifiable assets and liabilities acquired are measured at their fair value at the date of acquisition. The amounts recognized are amortized in subsequent periods.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the gain or loss resulting from remeasurement recognized in profit or loss.

Where the cost of a business combination exceeds the fair value of identifiable assets acquired net of liabilities assumed as of the acquisition date, the excess is recognized as goodwill. Goodwill is tested for impairment at least once annually. If the goodwill is impaired, an impairment loss is recognized. If there is no impairment, the amount at which goodwill is recognized remains unchanged from the prior year. Where the cost of a business combination is less than the fair value of identifiable assets acquired net of liabilities assumed as of the acquisition date, the difference is recognized in the income statement after reassessing the fair values.

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

The consolidation process involves adjusting the items resulting from the independent accounting and measurement of the individual companies and presenting them as if they were those of a single economic entity. Intragroup assets, liabilities, equity, expenses, income and cash flows are eliminated in full. Group inventories and fixed assets are adjusted for intercompany profits or losses. Deferred taxes are recognized for consolidation adjustments, and deferred tax assets and liabilities are offset where taxes relate to the same tax authority and the same period. In addition, guarantees and warranties assumed by the parent company or one of its consolidated subsidiaries in favor of other consolidated subsidiaries are eliminated.

In the event that control is lost and the parent company continues to hold shares in the previous subsidiary, such shares are measured at fair value on the date of loss of control.

When deconsolidating the previous subsidiary, the difference between the consideration received and the net assets disposed of at the date when control is lost (including any goodwill from acquisition accounting) is recognized in profit or loss. Income and expenses recognized directly in the previous subsidiary's equity for foreign currency effects, securities held for sale, cash flow hedges and equity-accounted investments of the previous

subsidiary are derecognized through profit or loss at the date when control is lost. However, any revaluation reserve recognized in accordance with IFRS 3 is not derecognized through profit or loss at that date but transferred to retained earnings within equity.

CURRENCY TRANSLATION

Foreign currency items in the financial statements of the entities included in the consolidated financial statements are measured at the spot exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the average rate on the reporting date. Non-monetary items denominated in a foreign currency measured at historical cost are translated using the exchange rate prevailing on the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate prevailing on the date when the fair value was determined. Exchange rate gains and losses as of the reporting date are recorded in profit or loss.

The financial statements of consolidated subsidiaries prepared in a foreign currency are translated into euros in accordance with IAS 21 using the functional currency concept. The functional currency of the company included in consolidation is the currency of the primary economic environment in which it operates.

Assets, liabilities and contingent liabilities are translated at the closing rate on the reporting date, while equity is translated at historical rates with the exception of income and expenses recognized directly in equity. The income statement is translated using weighted average exchange rates. Exchange rate differences resulting from the translation of financial statements are recognized as a separate component directly in equity until the disposal of the subsidiary. To the extent the separate item is attributable to the parent company it is reclassified to profit or loss upon disposal.

The following key exchange rates were used for currency translation in the consolidated financial statements:

		Closing rate		Average rate	
		Dec. 31, 2021	Dec. 31, 2020	2021	2020
Australia	AUD	1.5612	1.5861	1.5748	1.6553
Brazil	BRL	6.3068	6.3756	6.3812	5.8885
China	CNY	7.1870	8.0290	7.6333	7.8703
United Kingdom	GBP	0.8400	0.8993	0.8600	0.8890
Hong Kong	HKD	8.8278	9.5167	9.1980	8.8518
Japan	JPY	130.3200	126.5100	129.8605	121.7731
Canada	CAD	1.4417	1.5628	1.4833	1.5294
Republic of Korea	KRW	1,344.9650	1,336.2100	1,353.9383	1,345.1409
Russia	RUB	84.9779	91.7754	87.2288	82.6358
Switzerland	CHF	1.0332	1.0811	1.0815	1.0703
USA	USD	1.1320	1.2276	1.1834	1.1413

ACCOUNTING POLICIES

The assets and liabilities of Porsche AG and the consolidated German and foreign subsidiaries included are accounted for using uniform accounting policies applicable within the Porsche AG group. The same accounting policies are used in the case of equity-accounted investments for the purpose of determining the attributable

share of the net assets. This is based on the most recent audited annual financial statements of the respective company. The comparative information is based in principle on the same accounting policies applied for the reporting period for fiscal year 2021. Where changes have been made, the effect is explained in the relevant notes.

With the exception of certain items such as financial instruments measured at fair value and provisions for pensions and similar obligations, the consolidated financial statements are prepared using the historical cost principle. The methods used to measure the individual items are presented in more detail below.

INTANGIBLE ASSETS

Intangible assets not acquired in a business combination are initially recognized at cost in accordance with IAS 38 plus costs directly attributable to the acquisition. The cost of intangible assets acquired as part of a business combination is their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Purchased intangible assets with a finite useful life are amortized, generally on a straight-line basis, over their useful life, taking any impairments into account. Useful lives range from three to five years. Useful lives, residual values and methods of amortization are reviewed, and adjusted if appropriate, at least at the end of the reporting year. If adjustments are made, these are accounted for as changes in estimates.

Goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet ready for use are not amortized. Each individual asset or cash-generating unit is tested at least once a year for impairment. If the goodwill is impaired, an impairment loss is recognized. Intangible assets with indefinite useful lives are reviewed once a year to determine whether the indefinite life assessment continues to be supportable. If this is no longer the case, the change in the useful life assessment from indefinite to finite is made prospectively.

Development costs are recognized for products provided that expenditures can be clearly allocated and all other recognition criteria of IAS 38 are met. The capitalized development costs include all direct costs and production overheads directly attributable to the development process incurred after the point in time at which all recognition criteria are met. Capitalized development costs are amortized beginning at the start of use (e.g., start of production) using the straight-line method over the expected useful life of the product, taking any impairments into account. Useful lives mainly range from three to nine years. Research and non-capitalizable development costs are expensed as incurred.

The amortization of intangible assets is allocated to the corresponding function.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less depreciation and, if necessary, impairment losses. Investment subsidies are generally deducted from cost. Measurement at cost is performed on the basis of directly attributable costs and overheads. Special equipment is reported under other equipment, furniture and fixtures.

Property, plant and equipment is depreciated pro rata temporis on a straight-line basis over the expected useful life. The useful lives are reviewed regularly and adjusted if necessary.

Depreciation is based on the following useful lives:

	Years
Office and factory buildings	9 to 40
Technical equipment and machinery	7 to 20
Other equipment, furniture and fixtures	3 to 13

Residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

LEASES

The Porsche group recognizes leases pursuant to IFRS 16. This defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

RIGHT-OF-USE ASSETS/LEASE LIABILITIES

Where the Porsche AG group is lessee, it generally recognizes a right-of-use asset and a lease liability in the statement of financial position for all leases. In the Porsche AG group, the lease liability is measured at the present value of the outstanding lease payments, while the right-of-use asset is generally measured in the amount of the lease liability plus initial direct costs.

The right-of-use asset is generally depreciated on a straight-line basis over the lease term. The lease liability is adjusted using the effective interest method and taking the lease payments into account.

The right-of-use assets recognized in the statement of financial position are reported in those items that the assets underlying the lease would be reported in if they were owned by the Porsche AG group. The right-of-use assets were therefore presented under non-current assets as of the reporting date, primarily as property, plant and equipment and taken into account in the impairment testing of property, plant and equipment in accordance with the requirements of IAS 36.

There are practical expedients for short-term leases and leases of low-value assets. The Porsche AG group takes advantage of these and consequently does not recognize right-of-use assets or lease liabilities for such leases. The associated lease payments are recognized directly in profit or loss as an expense. Leases of low-value assets are those where the value of the leased asset does not exceed €5,000 when new. Furthermore, the accounting requirements of IFRS 16 are not applied to leases of intangible assets.

Many leases contain extension and termination options. In determining the lease term, all relevant facts and circumstances are taken into consideration that create an economic incentive to exercise, or not to exercise, the option. Optional periods are taken into account in determining the lease term if it is reasonably certain that the option will be exercised.

LEASED ASSETS

The accounting treatment of leases in which the group is the lessor is based on a classification as operating leases and finance leases. The classification is based on the allocation of the risks and rewards incidental to ownership of the leased asset.

In the case of operating leases, substantially all of the risks and rewards remain with the Porsche AG group. The leased asset is recognized at amortized cost in the fixed assets of the Porsche AG group and the lease payments received in the period are recognized as income in profit or loss.

Vehicles leased out under operating leases are recognized at cost and depreciated on a straight-line basis to their calculated residual value over the term of the lease. Impairment losses are recognized for any impairment in value identified as part of the impairment testing carried out in accordance with IAS 36. Depending on the local circumstances and past experience from used vehicle sales, regularly updated internal and external data on the development of residual values are included in the residual value forecast. In doing so, assumptions must primarily be made about future vehicle supply and demand, as well as movements in vehicle prices. These assumptions are based on either qualified estimates or information published by third-party experts. Qualified estimates are based on external data, where available, and take into account additional information available internally, such as past experience and recent sales information.

In the case of finance leases, substantially all of the risks and rewards incidental to ownership are transferred to the lessee. The Porsche AG group derecognizes the leased asset from its fixed assets and instead recognizes a receivable in the amount of its net investment in the lease.

CAPITALIZATION OF BORROWING COSTS

Borrowing costs for qualifying assets are recognized as part of the cost of the asset. A qualifying asset is an asset that necessarily takes one year or more to get ready for its intended use.

EQUITY-ACCOUNTED INVESTMENTS

The cost of equity-accounted investments is adjusted in accordance with the share of the increases and decreases in the net assets of the associates and joint ventures arising after acquisition attributable to the Porsche AG group, including any effects from purchase price allocation. In addition, an impairment test is carried out where there are indications of impairment and, if appropriate, a write-down to the lower recoverable amount is recognized. The recoverable amount is determined using the method presented for impairment testing. If the reason for the write-down no longer exists at a later date, the impairment loss is reversed, but only to the extent that the resulting carrying amount of the asset does not exceed the amount that would have applied if the write-down had not been recognized. The calculation of the value in use for the purposes of the impairment test is based on a cost of capital of 7.6 per cent (prior year: 5.7 per cent).

IMPAIRMENT TESTING

At the end of each reporting period, the group assesses whether there is any indication of impairment. An impairment test is performed at least once a year for goodwill, capitalized costs for intangible assets (in particular, where development costs are recognized for products under development) and intangible assets with an indefinite useful life. For intangible assets with finite useful lives, property, plant and equipment as well as leased assets an impairment test is performed only when there is an indication that the asset may be impaired.

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

To determine whether goodwill is impaired, the fully consolidated entities concerned are used as a cash-generating unit. For other intangible assets as well as for property, plant and equipment, the Porsche brand generally constitutes the cash-generating unit in the automotive division, i.e., excluding the financial services division. As such, it forms the basis for impairment testing and the economic assessment carried out on recognition of internally generated intangible assets. If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognized to account for the difference.

The recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense. Value in use is determined using the discounted cash flow method or capitalized earnings method on the basis of the estimated future cash flows expected to arise from the continuing use of the asset and its disposal.

To determine whether goodwill or other intangible assets and items of property, plant and equipment are impaired, the group uses the value in use.

Value in use for other intangible assets and items of property, plant and equipment is determined based on a current forecast prepared by management including material assumptions about growth and the volume of unit sales. The planning period generally extends over five years. The Volkswagen group's planning is based on the assumption that global economic output will continue to grow at a somewhat lower level overall in 2022, on the heels of the recovery observed in the past fiscal year – provided that the Covid-19 pandemic does not flare up again and that shortages of intermediates and commodities become less intense. Global economic growth is also expected to continue for the years 2023 to 2026. Plausible assumptions about future developments are made for subsequent years. The planning assumptions are adjusted to reflect the current information available.

The recoverable amount of goodwill and other intangible assets is determined based on current planning as well as reasonable assumptions about macroeconomic trends (currency, interest rate and commodity price trends) as well as historical developments. When determining the cash flows, an anticipated growth rate of 1.0 per cent is used as a basis. The growth rate is based on the circumstances specific to the industry and takes into account the specific price and cost situation.

In the case of assets that are not yet available for use, impairment testing is carried out upon initial recognition and subsequently once per year on the basis of the current business plan. Assets already in use are only tested for impairment if there is a triggering event. When determining the value in use for the impairment test of goodwill, other intangible assets and property, plant and equipment, a market-oriented discount rate for similar risks is used (if the capitalized earnings method is used, a post-tax cost of equity of 8.4 per cent is applied for immaterial goodwill (prior year: 8.1 per cent)) and a weighted average cost of capital (WACC) of 4.8 per cent (prior year: 5.3 per cent) is used for other intangible assets and property, plant and equipment if the discounted cash flow method is used. The determination of the cost of capital rates is based on a rate of interest for risk-free investments. Furthermore, in addition to a market risk premium, specific peer group information is taken into account for beta factors, leverage ratio and borrowing rate. The composition of the peer groups used to determine beta factors is reviewed on an ongoing basis and modified when necessary. Even if no growth were assumed for the purposes of

the perpetual annuity or if the sales volume on which the perpetual annuity is based were reduced by 10 per cent, that would not result in an impairment of the goodwill and of the other intangible assets or property, plant and equipment.

Any impairment of leased assets from vehicle leasing contracts, determined by impairment testing in accordance with IAS 36, is reflected in impairment losses and adjusted rates of depreciation. Depending on the local circumstances and past experience from used vehicle sales, regularly updated internal and external data on the development of residual values are included in the residual value forecast. In doing so, assumptions must primarily be made about future vehicle supply and demand, as well as movements in vehicle prices. These assumptions are based on either qualified estimates or information published by third-party experts. Qualified estimates are based on external data, where available, and take into account additional information available internally, such as past experience and recent sales information.

The functions recognize an impairment loss in the income statement in the item "amortization of intangible assets and depreciation of property, plant and equipment and leased assets" if the recoverable amount of the asset is lower than its carrying amount.

A review of whether the reasons for a previously recognized impairment loss still exist is carried out on an annual basis. If the reasons for impairment losses recognized in prior years no longer exist, they are reversed through profit or loss (with the exception of goodwill). The amount reversed cannot result in a carrying amount that exceeds the amount that would have been determined as the carrying amount, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

INVENTORIES

Inventories include commodities, consumables and supplies, as well as work in progress and finished goods. Inventories are stated at the lower of cost or net realizable value as of the reporting date.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. In addition to directly attributable costs, the costs of conversion of the internally produced goods include an appropriate portion of incurred materials and production overheads as well as production-related depreciation and other directly attributable costs. Borrowing costs are not capitalized.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated distribution expenses.

If the carrying amounts are no longer realizable due to a decrease in prices in the sales market, inventories are written down accordingly.

Inventories of a similar nature are generally measured using the weighted average cost method.

LONG-TERM CONSTRUCTION CONTRACTS

For contracts under which performance is satisfied over time, revenue is recognized in accordance with the stage of completion. The stage of completion is determined as the proportion that contract costs incurred by the end of the reporting period bear to the total costs expected (cost-to-cost method). Contract costs incurred are often the best way to measure the stage of completion of the performance obligation. If the outcome of a performance obligation satisfied over time is not yet sufficiently certain, but the company expects to at least have its costs refunded by the customer, revenue is recognized only to the extent of contract costs incurred (zero profit method).

If the expected costs exceed the expected revenue, the expected losses are immediately expensed in full by recognizing an impairment loss on the associated assets and, if necessary, additionally recognizing provisions. As long-term construction contracts regularly involve contingent receivables due from the customer until they are completed or the customer pays, corresponding contract assets are recognized. As soon as the company's performance is complete, a trade receivable is recognized. Any negative balance is reported under other payables. The principle of measuring assets at the lower of carrying amount and net realizable value is observed.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset at one entity and a financial liability or equity instrument at another entity. Regular way purchases or sales of financial instruments are accounted for at the settlement date, i.e., the date on which the asset is delivered.

Financial assets are classified and measured on the basis of the entity's business model and the characteristics of the financial asset's cash flows.

Under IFRS 9, financial assets are allocated to the following categories:

- financial assets measured at fair value through profit or loss,
- financial assets measured at fair value through other comprehensive income (debt instruments),
- financial assets measured at fair value through other comprehensive income (equity instruments), and
- financial assets measured at amortized cost.

Financial liabilities are allocated to the following categories:

- financial liabilities measured at fair value through profit or loss, and
- financial liabilities measured at amortized cost.

In the Porsche AG group, the categories presented above are allocated to the "at amortized cost" and "at fair value" classes.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST

"Financial assets measured at amortized cost" are held under a business model whose objective is to collect contractual cash flows ("hold" business model). These assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The amortized cost of a financial asset or liability is the amount:

- at which the financial asset or liability is measured at initial recognition,
- less any repayments of principal,
- taking into account any loss allowances, write-downs for impairment or uncollectability relating to financial assets, and
- plus or minus the cumulative amortization of any difference between the original amount and the amount repayable at maturity (premium, discount), amortized using the effective interest method over the term of the financial asset or liability.

Financial liabilities measured at amortized cost using the effective interest method relate to liabilities to banks, bonds, commercial papers and notes, loans and other liabilities. Gains or losses resulting from changes in amortized

cost, including the effects of changes in exchange rates, are recognized through profit or loss. For reasons of materiality, discounting or unwinding of discounts is not applied to current liabilities (due within one year).

Financial assets and liabilities measured at amortized cost are

- receivables from the financial services business,
- trade receivables and payables,
- other receivables and financial assets and liabilities,
- financial liabilities,
- cash, cash equivalents and time deposits.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Changes in the carrying amount of “financial assets measured at fair value” are recognized either in OCI or through profit or loss.

Financial assets that are equity instruments are measured at fair value. Here the Porsche AG group primarily exercises the option to present subsequent fair value changes in other comprehensive income, i.e., gains and losses from the measurement of equity investments are never reclassified to the income statement and instead are reclassified to retained earnings on disposal (no recycling). The only exceptions are interests in companies that are not material to the consolidated financial statements and in those that do not conduct business operations. Reasonable fair values that are free from major fluctuations cannot reliably be ascertained for such interests without undue cost or effort. They are measured at cost. If there are indications of impairment, they are remeasured at the lower present value of the estimated future cash flows.

All financial assets not measured either “at amortized cost” or “at fair value through other comprehensive income” are allocated to the “at fair value through profit or loss” category. “Financial assets measured at fair value through profit or loss” are held in particular to generate cash flows by selling financial instruments (“sell” business model).

In the Porsche AG group, this category mainly comprises

- hedges not included in hedge accounting,
- investment fund units.

“Financial liabilities measured at fair value through profit or loss” relate solely to derivatives not included in hedge accounting.

Fair value generally corresponds to the market or quoted value (level 1). If no active market exists, the fair value is determined where possible using other observable inputs (level 2). If no observable inputs are available, fair value is determined using valuation techniques, such as by discounting the future cash flows at the market interest rate, or by using recognized option pricing models and – as far as possible – is verified by confirmations from the banks that settle the transactions (level 3).

For current receivables and payables, amortized cost generally corresponds to the nominal amount or repayment amount.

The Porsche AG group does not exercise the fair value option for financial assets and liabilities.

Financial assets and financial liabilities are generally presented at their gross amounts. They are only offset if the Porsche AG group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis.

Subsidiaries, associates and joint ventures that for reasons of materiality are not consolidated do not fall within the scope of IFRS 9 and IFRS 7.

DERIVATIVES AND HEDGE ACCOUNTING

Porsche AG group companies use derivatives to hedge future cash flows (hedged items). Appropriate derivatives such as swaps, forward transactions and options are used as hedging instruments. The criteria for applying hedge accounting are that the clear hedging relationship between the hedged item and the hedging instrument is documented and that the hedge is proven to be effective.

When hedging future cash flows, the hedging instrument is measured at fair value. The designated effective portion of the hedging instrument is recognized in OCI I and the non-designated effective portion of the hedging instrument in OCI II. They are only recognized in profit or loss when the hedged item is recognized. The ineffective portion of a cash flow hedge is immediately recognized in profit or loss.

Those derivatives that the Porsche AG group uses for financial management purposes to hedge against interest rate or currency risks that do not meet the strict hedge accounting criteria of IFRS 9 are classified as "financial assets and liabilities at fair value through profit or loss". This also applies to options on shares. As a general rule, external hedging instruments of intragroup hedged items that are subsequently eliminated in the consolidated financial statements are likewise assigned to this category. "Assets and liabilities measured at fair value through profit or loss" comprise derivatives or components of derivatives that are not included in hedge accounting. For example, these relate to non-designated interest rate hedges.

RECEIVABLES FROM FINANCE LEASES

Where a group company is a lessor – generally of vehicles – a receivable in the amount of the net investment in the lease is recognized in the case of finance leases, i.e., where substantially all the risks and rewards incidental to ownership are transferred to the lessee.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

Financial assets are exposed to default risk, which is taken into account by recognizing loss allowances or, if losses have already been incurred, by recognizing impairment losses. Specific and portfolio-based loss allowances are recognized for the risk of default inherent in receivables and loans in the financial services business.

In particular, in accordance with group-wide standards, a loss allowance is recognized on these financial assets in the amount of the expected loss. The actual specific loss allowances for the losses incurred are then recognized in this loss allowance. A potential impairment is assumed not only for delayed payments of more than 90 days, the institution of enforcement measures, the threat of insolvency or over-indebtedness, application for or the opening of insolvency proceedings or the failure of financial reorganization measures, but also for receivables that are not past due.

Portfolio-based loss allowances are recognized by grouping together insignificant receivables and significant individual receivables for which there is no indication of impairment into homogeneous portfolios on the basis of comparable credit risk characteristics and allocating them by risk class. Average historical probabilities of default

are used in combination with forward-looking parameters for the respective portfolio to calculate the amount of the impairment loss.

Credit risks must be considered for all financial assets measured at amortized cost, as well as for contract assets under IFRS 15 and lease receivables under IFRS 16. The impairment requirements also apply to risks arising from irrevocable credit commitments and to the measurement of financial guarantees.

Impairment losses on receivables outside of the financial services division are generally accounted for by means of a simplified process that takes historical default rates into account, and by means of specific loss allowances.

DEFERRED TAXES

Deferred tax assets are generally recognized for deductible temporary differences between the tax base and carrying amounts in the consolidated statement of financial position as well as on unused tax loss carryforwards and tax credits if it is probable that they will be used. Deferred tax liabilities are generally recognized for all taxable temporary differences between the tax base and the carrying amounts in the consolidated statement of financial position (temporary concept).

The amounts recognized reflect the anticipated tax expense or credit in subsequent fiscal years based on the tax rate expected to apply at the date of realization. The tax consequences of profit distributions are not generally taken into consideration until the resolution on appropriation of net profit has been adopted.

Deferred taxes relating to items recognized directly in equity are also recorded in equity.

Valuation allowances are recognized on deferred tax assets that are unlikely to be realized in a reasonable period of time.

The measurement of deferred tax assets for tax loss carryforwards is generally based on future taxable income over a planning horizon of five fiscal years. A previously unrecognized deferred tax asset is reassessed on an annual basis and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities for taxable temporary differences associated with equity investments in subsidiaries are not recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if the taxes are levied by the same taxation authority, relate to the same taxation period, and there is a legally enforceable right to set off the recognized amounts.

CURRENT TAXES

Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be refunded by or paid to the taxation authorities. Tax items are calculated on the basis of the tax rates and tax laws in force as of the reporting date. Provisions are recognized for potential obligations in respect of tax assessments that have not yet been finally reviewed by the tax authorities. Any identified tax uncertainty is measured on the basis of the most likely value to be recognized to reflect the risk, should it materialize.

Current taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

SHARE-BASED PAYMENT

Share-based payment comprises cash-settled variable payment plans. Thus, the obligations are accounted for as cash-settled plans pursuant to IFRS 2. For these share-based payments, the obligations are measured at fair value during the term using a recognized option pricing model. The total payment expense to be recognized corresponds to the actual payment and is distributed over the vesting period.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

In accordance with IAS 19 (Employee Benefits), the actuarial measurement of pension obligations arising from defined benefit plans is based on the projected unit credit method. This method takes into account not only the pension payments and the future claims known on the reporting date but also future anticipated increases in salaries and pensions, as well as expected staff turnover based on past experience.

If pension obligations are funded by plan assets, the obligations and the assets are offset.

Remeasurements from pension plans are recognized through other comprehensive income in retained earnings taking deferred taxes into account. The service cost is reported in personnel expenses, while the net interest expense/income from unwinding the discount on the provision as well as from the return on plan assets is recognized in interest expenses.

The calculation is based on actuarial opinions taking into account biometric assumptions. The interest rate used to discount provisions is determined on the basis of the return on long-term high-quality corporate bonds on the reporting date.

OTHER PROVISIONS

Under IAS 37, provisions are recognized if a present obligation toward a third party as a result of a past event exists which will probably result in a future outflow of resources embodying economic benefits, and whose amount can be reliably estimated.

Provisions are generally measured at the expected settlement amount taking into account all identifiable risks. The settlement amount is calculated on the basis of the best possible estimate. The settlement amount also includes the expected cost increases. Provisions for warranty claims are recognized taking account of the past or estimated future claims pattern and constructive warranties. Non-current provisions are stated at their settlement amount discounted to the reporting date. The interest rate used is a pre-tax rate that reflects current market assessments of when the outflow of resources is due. In the eurozone, an average rate of -0.04 per cent (prior year: -0.23 per cent) was used. The interest expense resulting from unwinding the discount is presented in interest expenses.

Provisions are not offset against reimbursement claims from third parties. Reimbursement claims are recognized separately in other assets if it is virtually certain that the group will receive the reimbursement when it settles the obligation.

Accruals are not presented as provisions, but under trade payables or other liabilities, based on their nature.

As part of the insurance business, the reinsured used vehicle warranty insurance contracts are accounted for pursuant to the provisions of IFRS 4. Reinsurance acceptances are recognized without delay in the year in which they arise. Provisions are recognized in principle in accordance with the contractual responsibilities of the cedants.

Provisions for claims are determined using estimation techniques based on assumptions about the further development of claims. Claims are generally settled within a period of three months.

LIABILITIES

Non-current liabilities are carried at amortized cost in the statement of financial position. Differences between their historical cost and their repayment amount are accounted for using the effective interest method.

Liabilities to shareholders from puttable shares are recognized in the income statement at the present value of the redemption amount on the reporting date.

Lease liabilities are carried at the present value of the lease payments.

Current liabilities are recognized at their repayment or settlement value.

REVENUE AND EXPENSES

Revenue is generally recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Revenue from the sale of products is generally not recognized until the point in time when the service is provided or the significant opportunities and risks associated with ownership of the goods and products being sold are transferred to the buyer. Revenue is reported net of discounts, customer bonuses and rebates.

Sales allowances and other variable consideration is measured on the basis of experience and by taking into account the respective current circumstances. Vehicles are normally sold on payment terms. A trade receivable is recognized for the period between vehicle delivery and receipt of payment. Financing components included therein are only accrued if the period between the transfer of the goods and the payment of consideration is longer than one year and the amount to be accrued is material.

Revenue from receivables from financial services is recognized using the effective interest method. Income from operating leases is recorded on a straight-line basis over the term of the agreement.

Revenue from long-term construction contracts is recognized in accordance with the percentage of completion method.

If a contract comprises several separately identifiable components (multiple-element arrangements), these components are recognized separately in accordance with the principles outlined above. If services are sold to the customer together with the vehicle and the customer pays for them in advance, the group recognizes a corresponding contract liability until the services have been rendered. Examples of services that customers pay for in advance include servicing, maintenance and certain guarantee contracts, as well as mobile online services.

Sales revenue from extended warranties or maintenance agreements is recognized when deliveries take place or services are rendered. In the case of prepayments, deferred income is recognized proportionately by reference to the costs expected to be incurred, based on experience. Revenue is recognized on a straight-line basis if there is insufficient experience. If the expected costs exceed the accrued sales revenue, a loss is recognized from these agreements.

For extended warranties granted to customers for a specific model, a provision is generally recognized in the same way as for statutory warranties. If the warranty is optional for the customer or contains an additional service component, the related revenue is deferred and recognized over the warranty term.

Income from assets for which a group entity has a buy-back obligation is not recognized until the assets have finally left the group. If a fixed repurchase price was agreed when the contract was concluded, the difference between the selling and repurchase price is recognized as income ratably over the term of the contract. Until the end of the contract term, the assets are reported in inventories in case of current contract end dates and in leased assets in the case of non-current contract end dates.

Sales revenue is generally measured at the price determined in the contract. If variable consideration (e.g., volume-based bonuses) has been agreed in a contract, the large number of contracts means that revenue is generally estimated using the expected value method. The most probable amount method may also be used in exceptional cases. Once the expected sales revenue has been estimated, an additional check is performed to determine whether there are uncertainties that make it necessary to reduce the revenue initially recognized in order to effectively rule out the risk of subsequently adjusting that revenue downwards. Provisions for reimbursements mainly result from dealer bonuses. In the case of multiple-element arrangements, the transaction price is allocated to the various performance obligations under the contract on the basis of the relative stand-alone selling prices. For reasons of materiality, the Porsche AG group generally recognizes non-vehicle-related services at their stand-alone selling price.

Revenue is generally recorded separately for each business transaction. If two or more transactions are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole, the criteria for revenue recognition are applied to these transactions as a whole. If, for example, loan or lease agreements in the financial services division are entered into at below market interest rates to promote sales of new vehicles, revenue is reduced by the incentive arising from the agreement.

In the case of financial instruments measured at amortized cost, interest income and expenses are determined using the effective interest rate.

Production-related expenses are recognized upon delivery or utilization of the service, while all other expenses are recognized as an expense as incurred. The same applies for development costs not eligible for recognition as part of the cost of an asset.

Provisions for warranty claims are recognized upon sale of the related products.

Cost of sales includes the costs incurred to generate the sales revenue and the cost of goods purchased for resale. This item also includes the cost of additions to warranty provisions. Research and development costs not eligible for capitalization and amortization of development costs are likewise carried under cost of sales. Interest and commission expenses incurred in connection with the financial services business are also reported in cost of sales.

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

CONTINGENT LIABILITIES

A contingent liability is a possible obligation to third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. A contingent liability may also be a present obligation that arises from past events but is

not recognized because an outflow of resources is improbable or the amount of the obligation cannot be measured with sufficient reliability.

GOVERNMENT GRANTS

Government grants for assets are deducted from the carrying amount of the asset when it is determined and recognized in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge. Government grants that compensate group companies for expenses incurred are generally recognized in profit or loss in the period and in the items where the expenses to be compensated were incurred.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements to a certain extent requires assumptions and estimates that have an effect on the recognition, measurement and presentation of the assets, liabilities, income and expenses as well as contingent assets and liabilities. These assumptions, judgments and estimates reflect all the information currently available. The assumptions and estimates relate to the following principal matters:

The estimation and determination of uniform group useful lives and depreciation methods for fixed assets subject to wear and tear (carrying amount of franchises, industrial rights and other intangible assets on December 31, 2021: €880 million (prior year: €757 million); carrying amount of capitalized development costs for products in use as of December 31, 2021: €2,822 million (prior year: €3,196 million), carrying amount of property, plant and equipment subject to wear and tear excluding factory and office buildings on December 31, 2021: €3,217 million (prior year: €3,534 million)) are based on past experience and are regularly reviewed. A change in estimates results in an adjustment to the residual useful life and, if appropriate, an impairment loss. The lease term is determined in accordance with IFRS 16 based on the non-cancellable period of the lease and an assessment of whether existing options to extend or terminate the lease will be exercised. The defined term and the discount rate used affect the amount of the right-of-use assets (carrying amount of right-of-use assets as of December 31, 2021: €1,028 million (prior year: €940 million) and the lease liabilities (carrying amount of lease liabilities as of December 31, 2021: €1,063 million (prior year: €964 million)).

Determining the timing for the capitalization of development costs (carrying amount of the capitalized development costs as of December 31, 2021: €5,301 million (prior year: €4,671 million)) requires assumptions and estimates of probabilities, particularly with respect to the technical feasibility of the development work and the availability of adequate technical, financial and other resources such that the development can be completed and the development work can be used or sold.

Testing the non-financial assets for impairment (particularly capitalized development costs, financial assets accounted for at equity and at cost as well as measuring shares not traded in an active market and options on such (carrying amount of equity-accounted investments and other investments as of December 31, 2021: €886 million (prior year: €384 million)) requires assumptions with respect to the future cash flows in the planning period and also, if applicable, the discount rate used. The estimates required to be made for the purpose of deriving the cash flows relate mainly to future market shares, growth in the respective markets and the profitability of the products of the Porsche AG group.

The impairment testing of property, plant and equipment (carrying amount of property, plant and equipment as of December 31, 2021: €8,763 million (prior year: €8,695 million)) and leased assets (carrying amount of leased assets as of December 31, 2021: €3,954 million (prior year: €3,614 million)) is principally concerned with identifying indications that property, plant and equipment and leased assets may be impaired, which requires judgments to be made. The recoverability of the leased assets of the Porsche AG group additionally depends in

particular on the estimate of the residual value of the leased vehicles after the end of the lease term as this constitutes a significant portion of the expected cash inflows (please refer to the section on impairments of leased assets in note [15]). For more information on impairment testing and on the measurement parameters used please refer to the explanations on impairment testing above.

In the absence of observable market values, the determination of the fair value of assets and liabilities acquired in a business combination is based on recognized valuation techniques such as the license price analogy method or the residual value method.

The designation of hedging instruments for hedge accounting requires in particular assumptions and estimates with respect to the underlying probabilities that revenue will be generated in the future from hedged currencies and with respect to the interest rates and the course of financing. The carrying amounts concerned are presented in the statement of changes in equity.

Testing financial assets for impairment requires estimates concerning the amount and probability of occurrence of future events. As far as possible, the estimates are arrived at on the basis of current market data as well as rating categories and scoring information based on experience. Further details on calculating loss allowances can be found in note [35] "Financial risk management and financial instruments".

The accounting treatment and measurement of provisions (carrying amount of provisions as of December 31, 2021: €9,024 million (prior year: €8,832 million)) is also based on the estimate of the amount and probability of occurrence of future events as well as the estimate of the discount rate. Experience or external appraisals are also drawn upon where possible. The measurement of provisions for pensions (carrying amount of provisions for pensions and similar obligations on December 31, 2021: €5,525 million (prior year: €5,932 million)) is additionally dependent on the estimated development of the plan assets. The assumptions underlying the calculation of provisions for pensions and similar obligations are presented in note [25]. Actuarial gains and losses from changes in measurement parameters are recorded directly in equity and have no effect on the result presented in the income statement. Changes in estimates relating to the amount of other provisions (carrying amount of other provisions as of December 31, 2021: €3,373 million (prior year: €2,788 million)) are always recorded in profit or loss. Provisions are regularly adjusted to take account of new information. Due to the use of expected values, it is often the case that unutilized provisions are reversed or that subsequent additions are made to provisions. Similarly to the expenses for recognizing new provisions, income from the reversal of provisions is largely allocated to the respective functions. Warranty claims from the vehicle sales business are determined taking account of past or estimated future losses and constructive warranties. This requires assumptions to be made about the nature and extent of future cases relating to guarantee, warranty and goodwill payments. For the provisions recognized, assumptions were made in particular in relation to working hours, material costs and hourly wage rates depending on the series, model year and country concerned. These assumptions are based on qualified estimates. The estimates rely on external data, taking into account additional information available internally such as experience relating to the parameters mentioned.

For an overview of other provisions and provisions for warranty obligations see note [26] and for litigation see also note [38].

Tax provisions were recognized for potential future payments of tax arrears while other provisions were recognized for ancillary tax payments arising in this connection.

Porsche AG and its subsidiaries have operations worldwide and are audited by local tax authorities on an ongoing basis. Changes in tax legislation and court rulings and their interpretation by tax authorities in the respective countries may result in tax payments that differ from the estimates made in the financial statements.

Tax provisions are measured on the basis of the most likely value at which the risk will materialize. If there are multiple tax uncertainties, Porsche decides whether to account for them individually or in groups depending on which type of presentation is better suited to predicting the extent to which the tax risk will materialize. In the case of contracts for the cross-border provision of intragroup goods and services in particular, the pricing of individual products and services is complex. This is because in many cases there are no observable market prices for internally generated products, or because the use of market prices for similar products is subject to uncertainties as they are not comparable. In these cases (including for tax purposes), the prices are determined using uniform, generally accepted valuation techniques.

Deviations from the assumptions made in the estimation process may cause differences to arise compared to the original estimates.

Determining deferred tax assets (carrying amount of deferred tax assets as of December 31, 2021: €867 million (prior year: €817 million)) requires assumptions to be made concerning future taxable profit and the timing of the realization of the deferred tax assets. Income tax items included in the statement of financial position whose amount is uncertain are based on the best estimate of the expected tax payment.

The recognition of government grants is based on an assessment as to whether there is reasonable assurance that the group companies will fulfill the conditions attached the grant and they will in fact be awarded. This estimate is based on the type of legal right as well as past experience.

The assumptions and estimates are based on premises that are derived from the current information available. In particular, the circumstances given when preparing the consolidated financial statements and assumptions deemed realistic as to the expected future development of the global and industry environment were used to estimate the company's future business performance. Since the future development of business is subject to uncertainty that cannot be fully controlled by the Porsche AG group, our assumptions and estimates continue to be subject to a high level of uncertainty. This applies in particular to short- and medium-term forecast cash flows, the discount rates used and forecast residual values.

Factors that may cause variances from the assumptions and estimates include new information about the buying behavior in the sales markets and in response to this changes in planning, dependency on suppliers, in particular exclusive suppliers, developments in exchange rates, interest rates and the prices of commodities as well as environmental or other legal provisions. Where the development of these circumstances differs from the assumptions and lies outside the control of management, the actual figures may differ from those originally expected. In such cases, the underlying assumptions and, if necessary, the carrying amounts of the assets and liabilities concerned, are adjusted accordingly.

The global economy recovered in 2021 due to the temporary relaxation of many restrictions and recorded positive growth of 5.6 per cent (prior year: negative growth of 3.4 per cent).

The Porsche AG group's planning is based on the assumption that global economic output will continue to grow at a somewhat lower level overall in 2022, on the heels of the recovery observed in the past fiscal year – provided that the Covid19 pandemic does not flare up again and that shortages of intermediates and commodities become less intense.

Prior to the date of authorization for issue of the financial statements by the Executive Board, there were no indications that the carrying amounts of the assets and liabilities presented in the consolidated statement of financial position would require any significant adjustment in the following reporting period.

Management's judgments and estimates were based in particular on assumptions about the general development of the economy, the development of automotive markets (such as technological developments), the legal environment as well as estimates of future losses and constructive warranties.

NEW ACCOUNTING STANDARDS

Porsche AG and its subsidiaries have applied all accounting pronouncements adopted by the EU and effective for periods beginning in fiscal year 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform – Phase 2) have been mandatory since January 1, 2021. The Phase 2 amendments address the accounting treatment when a reference interest rate is effectively replaced by another reference interest rate. The amendments introduce practical expedients with regard to modifications of financial assets, financial liabilities and lease liabilities as well as hedges. Modifications of contractual cash flows by means of an economically equivalent replacements of the previous reference interest rate as a direct consequence of reforming the reference interest rates are accounted for by adjusting the effective interest rate without any direct modification gains or losses. Changes to IFRS 16 have introduced a similar practical expedient for the accounting treatment of lease liabilities. Furthermore, pursuant to the amendments to the standard, a hedging relationship is not to be reversed as a result of an economically equivalent change to a new reference interest rate, but instead remains in place with appropriately adjusted documentation provided the hedging relationship fulfills the other hedge accounting requirements.

The Porsche AG group is affected by the Interest Rate Benchmark Reform due to its use of IBORs for variable interest rates. Appropriate risk management strategies and processes have been implemented to avoid significant risks resulting from the replacement of existing reference interest rates with alternative ones (basis spread risk, liquidity risk, legal risk, operating risk). The Porsche AG group has closely observed the markets and the findings of the various industry work groups managing the transition to the new reference interest rates. This includes announcements made by the responsible regulatory authorities.

Regarding the financial instruments that use the reference interest rates being replaced, the Porsche AG group aims to ensure that the mandatory transition to these new interest rates is completed before their official replacement dates, for example by adjusting legacy trades to the new reference interest rates in good time (active approach), thus avoid having to resort to fallback mechanisms based either on the ISDA 2020 IBOR fallback protocol of the International Swaps and Derivatives Association (ISDA) or on corresponding bilateral agreements with the counterparties of the Volkswagen group (passive approach). With regard to new trades that use the reference interest rates being replaced, corresponding fallback mechanisms have been integrated into the relevant framework agreements with external counterparties using the ISDA 2020 IBOR fallback supplement to the 2006 ISDA definitions, the 2021 ISDA interest rate derivatives definitions and/or the 2018 ISDA benchmark supplement.

The body of financial instruments still affected by a transition to new reference interest rates as of the reporting date consist of derivative and non-derivative financial assets and liabilities. In the Porsche AG group, these are exclusively allocated to the USD LIBOR. The carrying amount of the non-derivative financial assets is €0 million and the carrying amount of the non-derivative financial liabilities is €4,716 million. The hedging instruments in USD LIBOR have a nominal volume of €3,950 million. In our opinion, the EURIBOR is not affected by a replacement and, accordingly, such financial instruments are not included in the disclosure.

The above amendments do not materially affect the Porsche AG group's net assets, financial position and results of operations.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS NOT APPLIED

In its 2021 consolidated financial statements, Porsche AG did not apply the following accounting standards that have been issued by the IASB as of December 31 but for which application was not yet mandatory for the fiscal year.

Standard/Interpretation		Published by the IASB	Mandatory application ¹⁾	Accepted by EU	Expected effect
IFRS 3	Updating references to the conceptual framework	May 14, 2020	January 1, 2022	Yes	No material effects
IFRS 17	Insurance contracts	May 18, 2017	January 1, 2023 ²⁾	Yes ²⁾	No material effects
IFRS 17	Insurance contracts – Amendments to IFRS 17	June 25, 2020	January 1, 2023	Yes ²⁾	No material effects
IAS 1	Classification of liabilities	January 23, 2020	January 1, 2023	No	No material effects
IAS 1	Disclosure of accounting policies	February 12, 2021	January 1, 2023	No	No material effects
IAS 8	Definition of accounting estimates	February 12, 2021	January 1, 2023	No	No material effects
IAS 12	Deferred tax on leases as well as decommissioning obligations	May 7, 2021	January 1, 2023	No	No material effects
IAS 16	Property, plant and equipment: Proceeds before intended use	May 14, 2020	January 1, 2022	Yes	No material effects
IAS 37	Provisions: Onerous contracts – costs of fulfilling a contract	May 14, 2020	January 1, 2022	Yes	No material effects
	Improvement to International Financial Reporting Standards 2020 ³⁾	May 14, 2020	January 1, 2022	Yes	No material effects

¹⁾ Mandatory first-time application from the point of view of Porsche AG and its subsidiaries on the basis of the IFRS effective date, subject to adoption by the EU if the EU endorsement process has yet to be completed.

²⁾ The EU endorsement contains an exception optionally exempting companies from applying a valuation method in certain cases.

³⁾ Minor amendments to various IFRSs (IFRS 1, IFRS 9 and IAS 41)

Voluntary early adoption of the changes before they become mandatory under the transitional provisions of the IASB is not planned.

Notes to the consolidated income statement

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

[1] SALES REVENUE

Sales revenue breaks down by type of product as follows:

€ million	2021	2020
Type of product		
Vehicles	25,412	21,584
Genuine parts	1,533	1,534
Used vehicles and third-party products ¹⁾	2,694	2,372
Rental and leasing business ¹⁾	1,225	1,173
Interest and similar income from financial services business	242	208
Hedges sales revenue	- 300	- 285
Other revenue	2,332	2,109
	33,138	28,695

¹⁾ In fiscal year 2021, all sales of used vehicles recognized under "Rental and leasing business" in the prior year have been allocated to the line item "Used vehicles and third-party products". The prior-year figures were adjusted to reflect this change.

Other revenue contains insurance premiums from warranty insurance for used vehicles of €82 million (prior year: €85 million). Otherwise, other revenue mainly contains income from mobile services, consulting, development services and workshop services.

Of the sales revenue recognized in the reporting period, €660 million (prior year: €456 million) was included in contract liabilities as of January 1, 2021. In addition to existing performance obligations from long-term construction contracts, most of which are expected to be satisfied and the revenue recognized by December 31, 2022, by far the majority of performance obligations not yet satisfied as of the reporting date relate to vehicle deliveries. Most of these deliveries had already been made as of the date this report was prepared, or will be made in Q1 2022.

The vast majority of the sales revenue expected from orders as of the reporting date relate to vehicle sales. The resulting sales revenue will be recognized in the short term. The services included in these vehicle sales that do not lead to sales revenue until subsequent years make up only an insignificant portion of expected sales revenue. Use is therefore made of the practical expedient pursuant to IFRS 15, according to which a quantified order backlog as of the reporting date is not disclosed on account of the short-term nature and lack of informative value.

[2] COST OF SALES

The cost of sales amounted to €24,281 million (prior year (adjusted): €21,155 million) and mainly comprise production materials, personnel expenses, non-staff overheads and depreciation and amortization.

Cost of sales also contains interest expenses attributable to the financial services business amounting to €60 million (prior year: €88 million), impairment losses on leased assets amounting to €130 million (prior year: €127 million) and expenses for indemnification payments from warranty insurance for used vehicles amounting to €58 million (prior year: €64 million).

[3] DISTRIBUTION EXPENSES

Distribution expenses of €2,111 million (prior year: €1,881 million) include non-staff overheads and personnel expenses, depreciation and amortization charged in the distribution function as well as shipping, advertising and sales promotion costs incurred.

[4] ADMINISTRATIVE EXPENSES

Administrative expenses of €1,426 million (prior year (adjusted): €1,255 million) mainly contain non-staff overheads and personnel expenses as well as depreciation and amortization charged in the administrative function.

[5] OTHER OPERATING INCOME

Other operating income breaks down as follows:

€ million	2021	2020
Income from reversal of valuation allowances on receivables and other assets	31	28
Income from reversal of provisions and accruals	123	64
Income from foreign currency hedging derivatives within hedge accounting	34	159
Income from other hedges	13	44
Income from foreign exchange gains	282	184
Income from cost allocations	237	174
Gains on asset disposals and the reversal of impairment losses	52	25
Other rental income	48	45
Recourse income (special factor diesel issue)	30	–
Miscellaneous other operating income	229	230
	1,079	953

Income from foreign exchange gains mainly comprises exchange rate gains between the date of origin and the date of payment of foreign exchange receivables and liabilities as well as foreign exchange gains from measurement as of the reporting date. Resulting exchange rate losses are included in other operating expenses.

Miscellaneous other operating income mainly consists of government grants and other recourse income.

[6] OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

€ million	2021	2020
Valuation allowances on trade receivables	10	17
Valuation allowances on other receivables and other assets ¹⁾	47	58
Losses from foreign currency hedging derivatives within hedge accounting	218	128
Expenses from other hedges	12	52
Foreign exchange losses	85	281
Losses on disposal of non-current assets	42	55
Financial share of company pension scheme	293	283
Miscellaneous other operating expenses ¹⁾	378	306
	1,085	1,180

¹⁾ The prior-year figures were adjusted.

The valuation allowances on other receivables and other assets include €0 million (prior year: €0 million) in valuation allowances on receivables under long-term construction contracts.

Expenses from foreign exchange gains/losses mainly contain exchange rate losses between the date of origin and the date of payment of foreign exchange receivables and liabilities. Exchange rate gains are included in other operating income.

Miscellaneous other operating expenses consist principally of other expenses for litigation costs and legal risks.

[7] SHARE OF PROFITS AND LOSSES OF EQUITY-ACCOUNTED INVESTMENTS

The share of profits and losses of equity-accounted investments amounted to negative €22 million (prior year: negative €10 million). Of the total amount, negative €15 million (prior year: negative €5 million) relates to associates and negative €7 million (prior year: negative €5 million) to joint ventures.

[8] INTEREST RESULT

€ million	2021	2020
Interest income	421	406
Other interest and similar income	421	406
Interest expenses	- 113	- 129
Other interest and similar expenses	- 45	- 38
Interest cost included in lease payments	- 24	- 29
Interest result on other liabilities	4	- 2
Net interest on the net defined benefit liability	- 48	- 60
Interest result	308	277

[9] OTHER FINANCIAL RESULT

€ million	2021	2020
Cost of loss absorption	0	0
Other income from equity investments	96	1
Other expenses from equity investments	- 8	- 125
Income and expenses from securities and loans	17	- 17
Gains and losses from remeasurement and impairment of financial instruments	- 119	130
Gains and losses from fair value changes of derivatives not included in hedge accounting	143	- 36
Other financial result	129	- 47

Other income from equity investments contains a reversal of an impairment loss on the investment in Bertrandt AG accounted for using the equity method of €51 million (prior year: €0 million) as well as changes in value of other equity investments measured at fair value of €42 million (prior year: €0 million). In the prior year, other expenses from equity investments included an impairment of €115 million on the equity-accounted investment in Bertrandt AG.

[10] INCOME TAX

Income tax comprises the tax expense incurred on account of the consolidated tax group of Porsche Holding Stuttgart GmbH, Stuttgart, taxes currently owed by the companies comprising the consolidated tax group and taxes owed by the consolidated subsidiaries, as well as deferred taxes.

The income tax expense disclosed breaks down as follows:

€ million	2021	2020
Current tax expense, Germany	1,189	871
Current tax expense, other countries	339	127
Current tax expense	1,528	998
thereof relating to other periods	-37	2
Deferred tax expense, Germany	124	154
Deferred tax income/expense, other countries	39	79
Deferred taxes	163	233
Income tax income/expense	1,691	1,231

The statutory corporate income tax rate for the 2021 assessment period in Germany was 15 per cent (prior year: 15 per cent). Including trade tax and the solidarity surcharge, this results in an aggregate tax rate of 30.0 per cent (prior year: 30.0 per cent). A tax rate of 30.0 per cent (prior year: 30.0 per cent) was applied to measure the deferred taxes in the German consolidated tax group.

The tax rates applied for foreign entities range between 0 per cent and 34 per cent (prior year: 0 per cent and 34 per cent). In the case of split tax rates, the tax rate applicable to undistributed profits is applied. Tax rate changes led to measurement expenses in the reporting period of €2 million (prior year: €0 million).

The current tax expense was reduced by €2 million (prior year: €6 million) as a result of the utilization of previously unrecognized tax losses and tax credits and previously unrecognized temporary differences from prior periods. Where deferred taxes were concerned, the use of recognized tax losses in the fiscal year led to a decrease in the deferred tax expense of €0 million (prior year: €0 million).

In the reporting year, reversals of impairments and impairments were recognized on deferred tax assets for temporary differences of €2 million and €1 million, respectively (prior year: in each case €0 million).

Previously unused tax loss carryforwards for which no deferred tax assets have been recognized amounted to €59 million (prior year: €52 million). Of that amount, €46 million (prior year: €40 million) may be used without time limit, €0 million (prior year: €11 million) after more than 10 years as well as €13 million (prior year: €0 million) within 10 years.

In addition, deferred tax totaling €2 million (prior year: €30 million) was recognized on tax loss carryforwards and tax credits.

In accordance with IAS 12.39, deferred tax liabilities were not recognized for temporary differences on retained profits at subsidiaries of Porsche AG in the amount of €319 million (prior year: €242 million) because control is given.

The following reconciliation shows the differences between the expected income tax expense calculated using the group tax rate and the reported income tax expense:

€ million	2021	2020
Profit before tax	5,729	4,397
Group tax rate in %	30.0	30.0
Expected income tax expense	1,719	1,319
Effects of different tax rates	- 56	- 37
Effects of loss carryforwards and tax credits	0	3
Tax-exempt income and non-deductible business expenses	14	54
Taxes relating to other periods	10	- 108
Effect of tax rate changes	3	3
Other differences	1	- 3
Reported income tax expense	1,691	1,231
Effective tax rate in %	29.5	28.0

The following recognized deferred tax assets and liabilities were attributable to recognition and measurement differences in the individual items of the statement of financial position and to tax loss carryforwards:

€ million	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Intangible assets, property, plant and equipment and leased assets	6	37	2,725	2,394
Other equity investments	6	6	-	-
Inventories	34	23	31	14
Receivables and other assets (including financial services)	41	59	110	255
Securities	1	-	-	-
Unused tax losses and tax credits	2	30	-	-
Provisions for pensions and similar obligations	1,099	1,255	27	25
Liabilities and other provisions	1,595	1,263	43	44
Gross value	2,784	2,673	2,936	2,732
Offsetting	- 2,202	- 2,100	- 2,202	- 2,100
Consolidation	285	244	48	53
Amount recognized in the consolidated statement of financial position	867	817	782	685

In accordance with IAS 12, deferred tax assets and liabilities are offset if they relate to the same taxation authority, are due in the same periods, and there is a legally enforceable right to set off the recognized amounts.

As of the reporting date, deferred taxes totaling €165 million (prior year: €336 million as a decrease in equity) were recognized in the statement of financial position as an increase in equity; these are allocable to income and expenses recorded in other comprehensive income.

Deferred taxes recorded in other comprehensive income in the fiscal year are detailed in the statement of comprehensive income.

[11] PROFIT/LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

The profit/loss attributable to non-controlling interests amounts to €6 million (prior year: €4 million) and relates to 25 per cent of the shares in Porsche Taiwan Motors Ltd., Taipei.

Notes to the consolidated statement of financial position

[12] DEVELOPMENT OF INTANGIBLE ASSETS

The intangible assets disclosed contain purchased development work, tool cost subsidies, capitalized development costs for vehicles and smart mobility, goodwill, licenses and software.

Total research and development in the reporting period (excluding amortization) developed as follows:

€ million	2021	2020
Research and non-capitalized development costs	816	1,018
Amortization of development costs	968	972
Research and development costs recognized in the income statement	1,784	1,990
Investment in capitalized development costs	1,601	1,225
Research and development costs (without amortization)	2,417	2,243

The carrying amount of goodwill in the Porsche AG group as of December 31, 2021 amounts to €9 million (prior year: €9 million).

Most of the existing goodwill is attributable to MHP Management- und IT-Beratung GmbH, Ludwigsburg (€4 million) and Porsche Enterprises, Inc., Wilmington, Delaware, USA (€3 million).

Intangible assets developed as follows:

€ million	Franchises, industrial and similar rights	Capitalized development costs for products currently in use	Capitalized development costs for products under development	Goodwill	Total
Cost					
Balance at Jan. 1, 2020	1,601	7,694	570	10	9,875
Foreign exchange differences	- 3	-	-	-	- 3
Changes in consolidated group	0	-	-	-	0
Additions	305	91	1,134	-	1,530
Transfers	22	197	- 197	-	22
Disposals	4	-	32	-	36
Balance at Dec. 31, 2020	1,921	7,982	1,475	10	11,388
Amortization and impairment					
Balance at Jan. 1, 2020	975	3,814	-	1	4,790
Foreign exchange differences	- 2	-	-	-	- 2
Changes in consolidated group	0	-	-	-	0
Additions	193	965	-	-	1,158
Transfers	0	-	-	-	0
Additions to cumulative impairment losses	-	7	-	-	7
Disposals	2	-	-	-	2
Balance at Dec. 31, 2020	1,164	4,786	-	1	5,951
Cost					
Balance at Jan. 1, 2021	1,921	7,982	1,475	10	11,388
Foreign exchange differences	2	-	-	-	2
Changes in consolidated group	0	-	-	-	0
Additions	286	167	1,434	-	1,887
Transfers	9	429	- 429	-	9
Disposals	8	225	1	-	234
Balance at Dec. 31, 2021	2,210	8,353	2,479	10	13,052
Amortization and impairment					
Balance at Jan. 1, 2021	1,164	4,786	-	1	5,951
Foreign exchange differences	1	-	-	-	1
Changes in consolidated group	-	-	-	-	-
Additions	173	968	-	-	1,141
Transfers	- 0	-	-	-	- 0
Additions to cumulative impairment losses	-	-	-	-	-
Disposals	8	223	-	-	231
Balance at Dec. 31, 2021	1,330	5,531	-	1	6,862
Net carrying amount as of Dec. 31, 2020	757	3,196	1,475	9	5,437
Net carrying amount as of Dec. 31, 2021	880	2,822	2,479	9	6,190

[13] DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

€ million	Land, land rights and buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Cost					
Balance at Jan. 1, 2020	4,810	2,516	8,917	924	17,167
Foreign exchange differences	– 53	– 1	– 10	–	– 64
Changes in consolidated group	1	–	3	–	4
Additions	420	139	372	512	1,443
Transfers	218	84	94	– 418	– 22
Disposals	63	188	515	7	773
Balance at Dec. 31, 2020	5,333	2,550	8,861	1,011	17,755
Depreciation and impairment					
Balance at Jan. 1, 2020	989	1,377	6,177	0	8,543
Foreign exchange differences	– 10	–	– 5	–	– 15
Changes in consolidated group	–	–	–	–	–
Additions	225	223	767	–	1,215
Additions to cumulative impairment losses	–	1	–	–	1
Transfers	–	– 19	19	–	–
Disposals	21	172	491	–	684
Balance at Dec. 31, 2020	1,183	1,410	6,467	0	9,060
Cost					
Balance at Jan. 1, 2021	5,333	2,550	8,861	1,011	17,755
Foreign exchange differences	71	2	12	1	86
Changes in consolidated group	–	–	–	–	–
Additions	358	119	395	489	1,361
Transfers	341	22	129	– 501	– 9
Disposals	95	64	381	7	547
Balance at Dec. 31, 2021	6,008	2,629	9,016	993	18,646
Depreciation and impairment					
Balance at Jan. 1, 2021	1,183	1,410	6,467	0	9,060
Foreign exchange differences	17	1	7	–	25
Changes in consolidated group	–	–	–	–	–
Additions	253	232	760	–	1,245
Additions to cumulative impairment losses	–	13	1	–	14
Transfers	51	– 37	– 15	1	–
Disposals	49	50	361	1	461
Balance at Dec. 31, 2021	1,455	1,569	6,859	0	9,883
Net carrying amount as of Dec. 31, 2020	4,150	1,140	2,394	1,011	8,695
Net carrying amount as of Dec. 31, 2021	4,553	1,060	2,157	993	8,763

[14] DEVELOPMENT OF EQUITY-ACCOUNTED INVESTMENTS AND OTHER INVESTMENTS

€ million	Investments	Other equity investments	Total
Cost			
Balance at Jan. 1, 2020	381	152	533
Foreign exchange differences	–	– 2	– 2
Changes in consolidated group	–	28	28
Additions	–	59	59
Changes recognized directly in equity	– 1	– 1	– 2
Changes recognized in profit or loss	– 10	– 3	– 13
Dividends	– 5	–	– 5
Balance at Dec. 31, 2020	365	233	598
Impairments			
Balance at Jan. 1, 2020	83	6	89
Changes in consolidated group	–	2	2
Additions	115	8	123
Balance at Dec. 31, 2020	198	16	214
Cost			
Balance at Jan. 1, 2021	365	233	598
Foreign exchange differences	–	2	2
Changes in consolidated group	158	– 182	– 24
Additions	220	200	420
Changes recognized directly in equity	–	43	43
Changes recognized in profit or loss	– 23	42	19
Dividends	–	–	–
Balance at Dec. 31, 2021	720	338	1,058
Impairments			
Balance at Jan. 1, 2021	198	16	214
Changes in consolidated group	–	–	–
Additions	–	9	9
Reversal of impairment losses	51	–	51
Balance at Dec. 31, 2021	147	25	172
Net carrying amount as of Dec. 31, 2020	167	217	384
Net carrying amount as of Dec. 31, 2021	573	313	886

The equity-accounted investments include associates amounting to €534 million (prior year: €120 million) and joint ventures amounting to €39 million (prior year: €47 million).

Additions to equity-accounted investments amounted to €220 million in fiscal year 2021 (prior year: €0 million). Further details can be found under "Basis of Consolidation".

[15] DEVELOPMENT OF LEASED ASSETS AND TOTAL FIXED ASSETS

€ million	Leased assets	Total fixed assets
Cost		
Balance at Jan. 1, 2020	5,477	33,052
Foreign exchange differences	– 430	– 499
Changes in consolidated group	–	32
Additions	2,323	5,355
Changes recognized directly in equity	–	– 2
Changes recognized in profit or loss	–	– 13
Transfers	– 11	– 11
Dividends	–	– 5
Disposals	2,193	3,002
Balance at Dec. 31, 2020	5,166	34,907
Depreciation and impairment		
Balance at Jan. 1, 2020	1,648	15,070
Foreign exchange differences	– 135	– 152
Changes in consolidated group	–	2
Additions	743	3,116
Additions to cumulative impairment losses	127	258
Disposals	814	1,500
Reversal of impairment losses	17	17
Balance at Dec. 31, 2020	1,552	16,777
Cost		
Balance at Jan. 1, 2021	5,166	34,907
Foreign exchange differences	418	508
Changes in consolidated group	0	– 24
Additions	2,504	6,172
Changes recognized directly in equity	–	43
Changes recognized in profit or loss	–	19
Transfers	– 28	– 28
Dividends	–	–
Disposals	2,316	3,097
Balance at Dec. 31, 2021	5,744	38,500
Depreciation and impairment		
Balance at Jan. 1, 2021	1,552	16,777
Foreign exchange differences	129	155
Changes in consolidated group	– 2	– 2
Additions	770	3,156
Additions to cumulative impairment losses	130	153
Disposals	745	1,437
Reversal of impairment losses	44	95
Balance at Dec. 31, 2021	1,790	18,707
Net carrying amount as of Dec. 31, 2020	3,614	18,130
Net carrying amount as of Dec. 31, 2021	3,954	19,793

Leased assets contain assets leased to customers under the terms of operating leases. Any impairment of leased assets from these vehicle leasing contracts is recognized as an impairment loss in the consolidated financial statements. Depending on the local circumstances and past experience from used vehicle sales, regularly updated internal and external data on the development of residual values are included in the residual value forecast. Impairment losses in fiscal year 2021 amounted to €130 million (prior year: €127) million).

Group entities in the financial services division act as lessor, primarily leasing their own products.

[16] INVENTORIES

Inventories break down as follows:

€ million	Dec. 31, 2021	Dec. 31, 2020
Raw materials, consumables and supplies	385	341
Work in progress	1,078	238
Finished goods and merchandise	2,994	3,461
Current rental and leasing assets	26	9
Advance payments made	34	59
	4,517	4,108

Of the total inventories reported as of the reporting date of €4,517 million (prior year: €4,108 million), an amount of €17 million (prior year: €40 million) is recognized at net realizable value. Inventories of €21,154 million (prior year (adjusted): €18,909 million) were expensed at the time revenue was recognized. The write-downs recognized in profit or loss in the reporting period amounted to €31 million (prior year: €47 million) and resulted from the remeasurement of used vehicles. Reversals of write-downs of €2 million (prior year: €3 million) were recognized in profit or loss in the reporting period, also resulting primarily from the remeasurement of used vehicles. Of the total amount of inventories, leased vehicles returned amounting to €5 million (prior year: €31 million) are pledged as security under asset-backed securities transactions. The whole industry is currently experiencing supply shortages of semiconductor components. This had an impact on the structure of inventories as of December 31, 2021, causing finished goods to decrease compared to December 31, 2020, while work in process and raw materials increased.

[17] TRADE RECEIVABLES

€ million	Dec. 31, 2021	Dec. 31, 2020
Trade receivables	1,199	1,081
	1,199	1,081

The maximum default risk corresponds to the carrying amounts of the net receivables. The fair values of the trade receivables essentially correspond to the carrying amounts due to the remaining terms. Of the total amount of trade receivables, €0 million (prior year: €0 million) is due in more than one year.

[18] NON-CURRENT AND CURRENT FINANCIAL SERVICES RECEIVABLES

As of the end of the reporting period, financial services receivables break down as follows:

€ million	CARRYING AMOUNT		FAIR VALUE		CARRYING AMOUNT		FAIR VALUE	
	Current	Non-current	Dec. 31, 2021	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020	Dec. 31, 2020
Receivables from financing business								
Customer financing	487	2,330	2,817	2,889	529	1,393	1,922	1,980
Dealer financing	10	0	10	10	9	–	9	9
	497	2,330	2,827	2,899	538	1,393	1,931	1,989
Receivables from operating leases	25	–	25	25	16	–	16	16
Receivables from finance leases	559	1,131	1,690	1,740	568	1,021	1,589	1,630
	1,081	3,461	4,542	4,664	1,122	2,414	3,536	3,635

[19] NON-CURRENT AND CURRENT OTHER FINANCIAL ASSETS

As of the end of the reporting period, other financial assets break down as follows:

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Non-current	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020
Positive fair value of derivative financial instruments	135	219	354	148	591	739
Miscellaneous financial assets	5,218	8,377	13,595	2,613	8,279	10,892
	5,353	8,596	13,949	2,761	8,870	11,631

Miscellaneous financial assets contain receivables from VW AG of €2,000 million (prior year: €0 million) and Porsche Holding Stuttgart GmbH of €10,193 million (prior year: €9,951 million). These relate to loan receivables of €8,135 million (prior year: €8,135 million) due in more than one year and the current clearing account and interest receivables of Porsche AG amounting to €2,058 million (prior year: €1,816 million).

In addition, the miscellaneous financial assets include restricted cash in the amount of €308 million (prior year: €276 million). This relates to collected customer payments for receivables sold under asset-backed securities programs, which have to be passed on to the contracting partners in a timely manner, as well as collateral in connection with vehicle financing. There are also restrictions on the use of credits accrued under phased retirement schemes in accordance with section 8a of the German Phased Retirement Act (Altersteilzeitgesetz – AtzG) in connection with statutory insolvency insurance.

No significant valuation allowances were recognized for miscellaneous financial assets. The maximum default risk corresponds to the net carrying amounts of miscellaneous financial assets.

The positive fair values of derivative financial instruments relate to the following items:

€ million	Dec. 31, 2021	Dec. 31, 2020
Transactions for hedging:		
foreign currency and interest rate risk from future cash flows (cash flow hedges)	211	678
Hedging transactions (interest and currency)	211	678
Assets related to derivatives not included in hedging relationships	143	61
	354	739

Further details on derivative financial instruments as a whole are given in note [35].

[20] NON-CURRENT AND CURRENT OTHER RECEIVABLES

As of the end of the reporting period, other receivables break down as follows:

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Non-current	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020
Other recoverable income taxes	284	0	284	306	0	306
Miscellaneous receivables	282	113	395	288	164	452
Conditional receivables from long-term construction contracts	13	–	13	12	–	12
	579	113	692	606	164	770

Miscellaneous receivables include prepaid expenses in the amount of €192 million (prior year: €219 million). These are primarily attributable to rent and marketing expenses, as well as prepaid maintenance costs for hardware and software.

The current other receivables are mainly non-interest-bearing.

Other receivables include contingent receivables under long-term construction contracts recognized in application of the percentage of completion method. They correspond to the contract assets from contracts with customers, and developed as follows:

€ million	2021	2020
Contingent construction contract receivables Balance at Jan. 1	12	13
Additions and disposals	1	– 1
Changes in consolidated group	–	–
Change in valuation allowances	0	0
Changes in estimates and assumptions as well as contract modifications	–	–
Foreign exchange differences	–	–
Contingent construction contract receivables at Dec. 31	13	12

The contingent receivables from long-term construction contracts break down as follows:

€ million	Dec. 31, 2021	Dec. 31, 2020
Contract costs including outcome of the long-term construction contracts	89	78
thereof services billed to customers	– 61	– 38
Future receivables from long-term construction contracts	28	40
Advance payments received	– 15	– 28
	13	12

The revenue from long-term construction contracts totals €95 million (prior year: €101 million). Contracts and parts of contracts billed to customers are presented within trade receivables. No material write-downs were recognized for these.

[21] TAX ASSETS

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Non-current	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020
Deferred tax assets	–	867	867	–	817	817
Tax receivables	155	–	155	163	–	163
	155	867	1,022	163	817	980

Of the deferred tax assets, an amount of €682 million (prior year: €537 million) relates to recognition and measurement differences between the IFRS consolidated statement of financial position and the tax base that will reverse within a year.

[22] SECURITIES

The securities serve to safeguard liquidity. They are short-term fixed-income securities and shares. The securities are measured at fair value. Non-current securities amounting to €3 million (prior year: €91 million) have been furnished as collateral for financial liabilities and contingent liabilities. The recipient of collateral has no original right of disposal or pledge with respect to the furnished collateral.

[23] CASH, CASH EQUIVALENTS AND TIME DEPOSITS

Cash, cash equivalents and time deposits of €4,686 million (prior year: €4,500 million) consist of checks, cash on hand, bank balances, balances with affiliated companies and time deposits. Bank balances are held at various banks in different currencies. Balances with affiliated companies comprise overnight or short-term deposits that are only subject to an immaterial risk of fluctuations in value.

[24] EQUITY

The composition and development of equity and of non-controlling interests is presented in the statement of changes in equity.

SUBSCRIBED CAPITAL

Porsche AG's subscribed capital amounts to €45,500,000 (prior year: €45,500,000) and is divided into 45,500,000 (prior year: 45,500,000) no-par-value shares, each with a pro rata share of € 1 of the share capital. All shares in Porsche AG are held by Porsche Holding Stuttgart GmbH. A control and profit and loss transfer agreement is in place between Porsche Holding Stuttgart GmbH and Porsche AG.

CAPITAL RESERVES

The capital reserves contain contributions from premiums and other capital contributions and increased by €471 million (prior year: € 1,028 million) to € 14,225 million in the reporting period (prior year: € 13,754 million). The increase in the fiscal year related to two capital contributions in the form of cash contributions by Porsche Holding Stuttgart GmbH.

RETAINED EARNINGS

Retained earnings include the reserve for accumulated profits and the reserve for remeasurements from pension plans.

The reserve for accumulated profits includes the profits earned in the reporting year and those earned by consolidated subsidiaries in prior years and not yet distributed as well as transactions recognized within equity. The profit transferred to Porsche Holding Stuttgart GmbH on account of the profit and loss transfer agreement amounted to € 1,858 million (prior year: € 1,860 million).

Changes in pension provisions recognized directly in equity are posted to the reserve for remeasurements from pension plans.

OTHER RESERVES

The other reserves are the reserves for currency translation, for cash flow hedges (OCI I), for deferred hedging costs (OCI II), for equity and debt instruments, and for equity-accounted investments.

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. In addition, exchange differences from the translation of capital have been reported in this reserve to allow the uniform recording of foreign currency effects within equity.

The cash flow hedge reserve (OCI I) is only used to record the designated effective portions of changes in the value of hedging instruments. By contrast, the non-designated portions of changes in the value of hedging instruments are accounted for through the reserve for deferred hedging costs (OCI II).

The reserve for equity-accounted investments is used to record the proportionate changes in equity-accounted equity investments recognized in other comprehensive income.

NON-CONTROLLING INTERESTS

Non-controlling interests in equity relate to 25 per cent of the shares in Porsche Taiwan Motors Ltd., Taipei.

CAPITAL MANAGEMENT

The Porsche AG group's capital management ensures that it is possible to realize the group's objectives and strategies in the interests of the shareholder, employees and other stakeholders. The primary objective of capital management at the Porsche AG group is to ensure the financial flexibility necessary to realize its value-adding business and growth targets and to increase its enterprise value over the long term. The management's focus lies in particular on generating the shareholder's desired minimum return on invested capital in the automotive division and on increasing the return on equity in the financial services division. In general, the aim of the Porsche AG group and its divisions is to achieve as high a return as possible to the benefit of all stakeholders in the company.

In order to structure the use of resources as efficiently as possible in the automotive division and to measure its success, we apply a value-driven management concept based on value contributed as an absolute performance indicator and return on investment (ROI) as a relative performance indicator.

Value contributed is determined by calculating the difference between operating profit after tax and the opportunity cost of invested capital. The opportunity cost of capital is calculated by multiplying the cost of capital stipulated by the shareholder by the average invested capital. Invested capital is calculated as total operating assets (property, plant and equipment, intangible assets, inventories and receivables) less non-interest-bearing liabilities (trade payables and payments on account received). Average invested capital is calculated using total assets at the beginning and the end of the reporting year. In the reporting year, the automotive division generated a clearly positive value contribution of €2,499 million (prior year: €1,805 million).

The return on investment is the return on invested capital for a particular period based on the operating profit after tax. If the return on investment exceeds the cost of capital stipulated by the shareholder, this results in an appreciation of the invested capital, or positive value contributed. In the automotive division, the return on investment for the reporting year amounted to 21.3 per cent (prior year: 18.1 per cent), which was significantly above the minimum return of 9 per cent required by the shareholder.

Given the particular features of the financial services division, control focuses on the return on equity, a target indicator which is based on the equity invested. This indicator is calculated as the ratio of earnings before tax to average equity. Average equity is calculated from the balance at the beginning and the end of the reporting year. In addition, the financial services division aims to satisfy the capital requirements of the banking supervisory authorities, as well as to obtain the necessary equity to finance the growth planned for the coming fiscal years and to support external ratings by ensuring capital adequacy.

The return on investment and value contributed in the automotive division and the return on equity and equity ratio in the financial services division are presented in the tables below:

€ million	2021	2020
Automotive division		
Operating profit after tax	3,523	2,815
Assets invested (average)	16,513	15,542
Return on investment (RoI) in %	21.3	18.1
Cost of capital in %	6.2	6.5
Opportunity cost of invested capital	1,024	1,010
Value contributed	2,499	1,805
Financial services division		
Profit before tax	314	192
Average equity	1,482	1,308
Pre-tax return on equity in %	21	15
Equity ratio in %	15	15

In conjunction with the Porsche AG group's debenture bond arrangements, it was agreed that the Porsche AG group would comply with a covenant to maintain a minimum equity ratio of 20 per cent. With an equity ratio of 45 per cent (prior year: 44 per cent), the group complied in full with this covenant in the reporting period.

[25] PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations are recognized for benefits in the form of retirement, invalidity and dependents' benefits payable under pension plans. The benefits vary according to the legal, tax and economic circumstances of the country concerned, and usually depend on the length of service and remuneration of the employees. The direct and indirect obligations include both current pension obligations and future pension and retirement benefit obligations.

Group companies provide both defined contribution plans and defined benefit plans. In the case of defined contribution plans, the company makes contributions to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the company. Contributions are recognized as expenses of the period concerned. In the reporting period, they amounted to €236 million (prior year: €221 million) in the group as a whole. Of that amount, contributions to the compulsory state pension system in Germany amounted to €228 million (prior year: €214 million).

Most pension plans are defined benefit plans, with a distinction made between unfunded benefit obligations and externally funded plans. The defined benefit plans are measured using the projected unit credit method in accordance with IAS 19. The defined benefit obligations are recognized at the present value of vested benefits as of the measurement date taking probable future increases in pensions and salaries into account. The defined benefit obligation for active employees increases annually by the interest cost plus the present value of the new benefit entitlements earned in the current period.

The Porsche AG group offers its employees benefits from a modern and attractive pension scheme for the time after their active working life. A substantial part of the benefit obligations are pension plans for employees in Germany that are classified as defined benefit plans within the meaning of IAS 19 and that are covered by collective agreements. These obligations are exclusively financed through the recognition of provisions in the statement of financial position.

Both defined contribution pension obligations with guarantees and pension obligations based on the final salary payment have been entered into in connection with employer-funded pension plans. In the case of defined contribution obligations, an annual income-related service cost is converted into a lifelong pension entitlement based on annuity conversion factors (guaranteed components). The annuity conversion factors contain a guaranteed yield. At retirement, the pension components earned each year are added.

Defined benefit obligations with guarantees have been entered into for employee-funded pension plans. The annual service cost (according to individual deferred compensation agreements) is converted to capital components by multiplying them with age factors. A guaranteed yield is integrated in the age factors. At retirement, the pension components earned each year are paid out either as a lump sum or in multiple installments. If a pension is to be paid, this is calculated by converting the capital for pension benefits into an annuity.

Most of the benefits relate to Porsche AG. Porsche also provides conversion models, where Porsche employees can make their own contributions to establish an additional personal pension account.

ACTUARIAL ASSUMPTIONS

The defined benefit obligations are calculated using actuarial methods. These include assumptions concerning discount rates, future wage and salary developments and pension increases. These parameters are estimated annually by the company. Actuarial gains or losses result from changes in the composition of the plan and deviations of actual parameters (for example, increases in income and pensions or changes in interest rates) from the assumptions made in the calculation in the prior year. These are recognized directly in equity in the period in which they were incurred taking into account deferred taxes.

The present value of the obligations is reported as the present value of the guaranteed obligation and the plan assets. A provision is recognized for any excess between the present value of the guaranteed obligations and the plan assets.

The measurement is based on the following assumptions:

	Germany		United Kingdom		USA	
	2021	2020	2021	2020	2021	2020
%						
Discount rate	1.40	0.80	2.00	1.40	3.05	2.85
Increase in salaries	2.80	2.80	3.00	2.60	3.25	3.25
Employee turnover rate	0.70	0.70	3.50	3.50	4.49	–
Medical cost increase rate	–	–	–	–	–	4.50
Career progression	0.50	0.50	–	–	–	–
Increase in pensions	1.70	1.50	2.30	2.10	–	–

Discount rates are generally determined based on the return on high-quality corporate bonds whose terms and currency match the respective obligations. The iBoxx AA Corporate Bond index was used as a basis for the obligations pertaining to the group's entities in Germany. Comparable indices are used for foreign pension obligations.

Increases in pensions correspond to either the contractually agreed guaranteed adjustments or are based on the rules applicable locally in each respective country for pension adjustments.

The present value of the guarantee obligation increases as interest rates fall and is thus exposed to interest rate risks.

The pension system provides for lifelong pension payments. To this extent, the entities bear the longevity risk. This is accounted for by using the most recent mortality tables (2018 G mortality tables by Prof. Dr. Klaus Heubeck) to determine the annuity conversion factors and the present value of the guaranteed obligation.

To reduce the inflation risk inherent in adjusting current pension payments by the inflation rate, a pension adjustment that is not linked to inflation was introduced for pension obligations where this legally permitted.

The effects of a one percentage point increase or decrease in the assumed medical cost increase rate when calculating the obligations for the medical costs of the US entities' employees are as follows:

€ million	Increase		Decrease	
	2021	2020	2021	2020
Current service and interest cost	0	0	0	0
Post-employment medical benefits	-	0	-	0

Amounts recognized in profit or loss break down as follows:

€ million	2021	2020
Current service cost	433	501
Net interest expense (+) / income (-)	48	60
Past service cost (including plan curtailments)	-0	-77
Gains (-) / losses (+) from plan settlements	-0	-0
Net benefit expense	481	484

The figures above are generally included in the personnel expenses for the respective functions. The net interest expense/income from unwinding the discount on the obligation and the return on plan assets is reported in interest expenses.

The decrease in current service cost is largely due to plan amendments for employee-funded pension plans in connection with the new job security agreements at some German companies.

The development of the present value of pension obligations is presented in the following table:

€ million	2021	2020
As of Jan. 1	6,058	5,558
Foreign exchange differences	13	- 11
Current service cost	433	501
Interest expense	50	63
Past service cost (including plan curtailments)	- 0	- 77
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	5	-427
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	-835	482
Actuarial gains (-)/losses (+) arising from experience adjustments	-52	-52
Employee contributions to plan assets	1	0
Pension payments from plan assets	-3	-5
Pension payments from company assets	-52	-46
Gains (-) / losses (+) from plan settlements	-0	-0
Changes in consolidated group	-	8
Other changes	-1	1
Employee contributions	52	63
As of Dec. 31	5,669	6,058

Changes to key actuarial assumptions would have had the following effects on the defined benefit obligation:

		Dec. 31, 2021		Dec. 31, 2020	
		€ million	change in percent	€ million	change in percent
Present value of defined benefit obligation if					
Discount trend	is 0.5 percentage points higher	4,920	- 18.78	5,304	- 12.45
	is 0.5 percentage points lower	6,577	8.57	6,975	15.14
Payroll trend	is 0.5 percentage points higher	5,738	- 5.28	6,148	1.49
	is 0.5 percentage points lower	5,616	- 7.29	5,988	- 1.16
Pension trend	is 0.5 percentage points higher	6,027	- 0.51	6,413	5.86
	is 0.5 percentage points lower	5,350	- 11.69	5,741	- 5.23
Longevity	increase by one year	5,842	- 3.57	6,232	2.87

Each of the sensitivity analyses presented is based on changes to one assumption ceteris paribus, i.e., possible interdependencies between the individual assumptions are not taken into account.

To analyze the sensitivity of the present value of the defined benefit obligation due to a change in the assumed longevity, the mortality rates assumed in the comparative calculation are reduced so as to increase longevity by roughly one year.

The weighted-average duration (the Macaulay duration) of the defined benefit obligation based on the present values of the obligation is 28 years (prior year: 28 years).

The present value of the defined benefit obligation is allocable among the plan members as follows:

€ million	2021	2020
Active members with pension entitlements	4,595	5,064
Members with vested entitlements who have left the company	293	280
Pensioners	781	714

A maturity profile of payments under defined benefit obligations is presented in the following based on an allocation of the present value of the obligation to the maturity of the underlying payments:

€ million	2021	2020
Payments due within the next fiscal year	75	64
Payments due between two and five years	309	298
Payments due in more than five years	5,285	5,696

Development of plan assets at fair values:

€ million	2021	2020
As of Jan. 1	126	120
Foreign exchange differences	9	-7
Interest income on plan assets determined using the discount rate	2	3
Income/expenses from plan assets not included in interest income	-0	8
Benefits paid	-3	-5
Employer contributions	9	6
Employee contributions	1	1
Other changes	-0	-0
As of Dec. 31	144	126

Plan assets are invested in the following categories:

€ million	Dec. 31, 2021			Dec. 31, 2020		
	Quoted prices in active markets	No quoted prices in active markets	Total	Quoted prices in active markets	No quoted prices in active markets	Total
Cash and cash equivalents	3	–	3	8	–	8
Equity instruments	19	–	19	12	–	12
Debt instruments	4	–	4	–	–	–
Derivative financial instruments	–	–	–	0	–	0
Equity funds	34	–	34	28	–	28
Pension funds	45	–	45	40	–	40
Real estate funds	3	–	3	1	–	1
Other funds	36	–	36	36	–	36
Other	0	0	0	1	0	1
Fair value of plan assets	144	0	144	126	0	126

60 per cent of plan assets are invested in assets in the United Kingdom, 32 per cent are invested in assets in the United States, 8 per cent are invested in assets in Switzerland. Contributions to plan assets are expected to total €8 million for the following fiscal year.

The change in the net liability compared to the prior year is presented below:

€ million	2021			2020		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
As of Jan. 1	6,058	- 126	5,932	5,558	- 120	5,438
Foreign exchange differences	13	- 9	4	- 11	7	- 4
Current service cost	433	-	433	501	-	501
Interest expense/income	50	- 2	48	63	- 3	60
Past service cost (including plan curtailments)	- 0	-	0	- 77	-	- 77
Income/expenses from plan assets not included in interest income	-	0	0	-	- 8	- 8
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	5	-	5	-427	-	-427
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	-835	-	-835	482	-	482
Actuarial gains (-)/losses (+) arising from experience adjustments	-52	-	-52	-52	-	-52
Employee contributions to plan assets	1	-1	0	0	-1	-1
Pension payments from plan assets	-3	3	0	-5	5	0
Employer contributions	-	-9	-9	-	-6	-6
Pension payments from company assets	-52	-	-52	-46	-	-46
Gains (-) / losses (+) from plan settlements	-0	-	0	-0	-	0
Changes in consolidated group	-	-	-	8	-	8
Other changes	-1	0	-1	1	-	1
Employee contributions	52	-	52	63	-	63
As of Dec. 31	5,669	-144	5,525	6,058	-126	5,932

The following amounts were recognized in the statement of financial position for defined benefit obligations:

€ million	Dec. 31, 2021	Dec. 31, 2020
Present value of funded benefit obligations	174	169
Fair value of plan assets	- 144	- 126
Funded status (net)	30	43
Present value of unfunded benefit obligations	5,495	5,889
As of Dec. 31	5,525	5,932
thereof pension provisions	5,525	5,932
thereof other assets	-	-

As of the reporting date, remeasurements from pension plans before tax of €877 million were recognized as an increase in equity (prior year: increase in equity of €6 million).

[26] NON-CURRENT AND CURRENT OTHER PROVISIONS

€ million	Obligations arising from sales	Employee expenses	Miscellaneous provisions	Total
Balance at Jan. 1, 2020	1,579	791	744	3,114
Foreign exchange differences	– 19	– 3	– 7	– 29
Changes in consolidated group	–	2	–	2
Utilization	844	533	180	1,557
Additions/New provisions	646	561	338	1,545
Unwinding of discount/effect of change in discount rate	–	–	–	–
Reversal	127	8	152	287
Balance at Dec. 31, 2020	1,235	810	743	2,788
thereof current	652	503	694	1,849
thereof non-current	583	307	49	939
Balance at Jan. 1, 2021	1,235	810	743	2,788
Foreign exchange differences	26	4	15	45
Changes in consolidated group	–	–	0	0
Utilization	721	485	210	1,416
Additions/New provisions	1,144	560	427	2,131
Unwinding of discount/effect of change in discount rate	– 4	0	–	– 4
Reversal	15	39	117	171
Balance at Dec. 31, 2021	1,665	850	858	3,373
thereof current	799	591	799	2,189
thereof non-current	866	259	59	1,184

Provisions for obligations arising from sales primarily concern warranty obligations, marketing services and bonuses. The warranty obligations in the Porsche AG group mainly arise from product warranties granted for the vehicles it produces. The provisions include both estimated expenses from legal and contractual guarantee claims as well as estimated expenses for constructive warranties. The provisions are recognized taking account of the past or estimated future claims pattern per type of model and construction year. Individual technical risks identified are recorded separately. The timing of the utilization of the warranty provisions depends on the occurrence of the guarantee/warranty claim and can extend over the entire legal and constructive warranty period. Provisions for expected repair measures have been recognized for the vehicles affected by the diesel issue, as described in note [38], and a corresponding receivable due from Audi AG has been recognized under other financial assets. Estimated expenses for constructive warranties were taken into consideration for further customer and dealer measures relating to these vehicles. The provisions for bonuses are intended to cover the cost of subsequent reductions in revenue already realized.

Provisions for personnel expenses are recognized principally for employee and management bonuses, long-service awards, time credits, top-up amounts for phased retirement schemes, severance payments and similar obligations.

Miscellaneous provisions include provisions for legal and litigation risks of €173 million (prior year: €166 million) and largely relate to the legal risks described in note [38]. Miscellaneous provisions also include provisions for customs risks totaling €32 million (prior year: €89 million). In addition, provisions totaling €163 million (prior year: €141 million) have been recognized for insurance claims. Of that amount, €11 million (prior year: €17 million) is

attributable to claims lodged but not yet settled, €3 million (prior year: €14 million) is attributable to claims not yet lodged and €149 million (prior year: €110 million) to insurance premiums that have not yet been collected.

In addition, miscellaneous provisions contain a wide range of identifiable risks, price risks and uncertain obligations, such as those stemming from product liability and litigation, measured according to the probability of their occurrence. Depending on the jurisdiction concerned, this item also includes loss allowances for any instances of non-compliance with statutory emissions limits. These were measured by, among other things, taking into account the respective sales volume and the legally defined fee or the cost of acquiring emission rights from other manufacturers. Synergies with other brands of the Volkswagen group were utilized where possible by creating emission pools.

63 per cent of the other provisions is expected to result in cash outflows within one year, 32 per cent in between one and five years and 6 per cent thereafter.

[27] NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

Financial liabilities break down as follows:

€ million	Total	Current	Non-current
Dec. 31, 2021			
ABS-refinancing	6,418	2,662	3,756
Debenture bonds	1,621	133	1,488
Liabilities to banks	620	221	399
Lease liabilities	1,063	107	956
Other financial liabilities	5	5	–
	9,727	3,128	6,599
Dec. 31, 2020			
ABS-refinancing	4,650	1,978	2,672
Debenture bonds	2,023	304	1,719
Liabilities to banks	687	283	404
Lease liabilities	964	91	873
Other financial liabilities	1	1	–
	8,325	2,657	5,668

ABS refinancing of €6,418 million (prior year: €4,650 million) relates to transactions in connection with refinancing the portfolio of lease and financing agreements. These are explained in more detail in note [35]. The debenture bonds were placed in different tranches with fixed and variable interest and have been partially repaid. The principal amounts of the debenture bonds totaled €1,622 million (prior year: €2,025 million). They are measured at amortized cost.

Liabilities to banks are used for refinancing in the financial services business and, to a small extent, for current financing. The nominal interest rate varies from 0.21 per cent to 0.75 per cent depending on the currency, maturity

and contractual terms and conditions (prior year: 0.23 per cent and 0.75 per cent). They are measured at amortized cost.

[28] TRADE PAYABLES

€ million	Dec. 31, 2021	Dec. 31, 2020
Trade payables	2,447	2,335
	2,447	2,335

The fair values of the trade payables essentially correspond to the carrying amounts due to the remaining terms.

Of the total amount of trade payables €0 million (prior year: €0 million) is due in more than one year.

[29] NON-CURRENT AND CURRENT OTHER FINANCIAL LIABILITIES

As of the end of the reporting period, other financial liabilities break down as follows:

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Non-current	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020
Negative fair values of derivative financial instruments	781	375	1,156	174	112	286
Interest payable	12	–	12	15	–	15
Liabilities from profit/loss transfer agreement and from tax relief with Porsche Holding Stuttgart GmbH	2,438	–	2,438	2,465	–	2,465
Miscellaneous financial liabilities	407	258	665	305	173	478
	3,638	633	4,271	2,959	285	3,244

Miscellaneous financial liabilities include liabilities from minority shareholders' call rights of €190 million (prior year: €160 million).

The item derivative financial instruments marked to market mainly comprises forward exchange transactions, currency options and interest rate swaps.

The negative fair values of derivative financial instruments relate to the following items:

€ million	Dec. 31, 2021	Dec. 31, 2020
Transactions for hedging:		
foreign currency and interest rate risk from future cash flows (cash flow hedges)	1,138	216
Hedging transactions (interest and currency)	1,138	216
Liabilities related to derivatives not included in hedging relationships	18	70
	1,156	286

Further details on derivative financial instruments as a whole are given in note [35].

[30] NON-CURRENT AND CURRENT OTHER LIABILITIES

As of the end of the reporting period, other liabilities break down as follows:

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Non-current	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020
Payments received on account of orders	790	446	1,236	660	290	950
Liabilities relating to						
other taxes	269	5	274	273	5	278
social security	5	–	5	5	–	5
wages and salaries	212	2	214	232	58	290
Miscellaneous liabilities	210	192	402	161	120	281
	1,486	645	2,131	1,331	473	1,804

The miscellaneous liabilities include deferred income. This comprises special rent payments of €282 million (prior year: €244 million) and other deferred income of €80 million (prior year: €30 million).

The payments received on account of orders item includes liabilities from advance payments received under contracts with customers. These developed as follows:

€ million	2021	2020
Liabilities from advance payments received under contract with customers at Jan. 1	950	758
Additions and disposals	242	224
Changes in consolidated group	–	–
Changes in estimates and assumptions as well as contract modifications	–	–
Foreign exchange differences	44	– 32
Liabilities from advance payments received under contract with customers at Dec. 31	1,236	950

Liabilities from advance payments received under contracts with customers correspond to the contractual liabilities from contracts with customers.

This also includes liabilities from long-term construction contracts:

€ million	Dec. 31, 2021	Dec. 31, 2020
Cost of conversion including outcome of the long-term construction contracts	137	142
thereof services billed to customers	– 137	– 137
Future receivables from long-term construction contracts	–	5
Advance payments received	– 7	– 10
	7	5

[31] TAX LIABILITIES

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Non-current	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020
Deferred tax liabilities	–	782	782	–	685	685
Income tax provisions	126	–	126	111	–	111
Tax payables	65	–	65	43	–	43
	191	782	973	154	685	839

Of the deferred tax liabilities, an amount of €2 million (prior year: €1 million) relates to recognition and measurement differences between IFRSs and the tax base that will reverse within a year.

Notes to the consolidated statement of cash flows

[32] NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows presents cash inflows and outflows from operating, investing and financing activities, regardless of how they are classified in the statement of financial position.

The cash flow from operating activities is derived indirectly, starting from profit/loss before tax. The profit/loss before tax is adjusted to eliminate non-cash expenses and income (primarily depreciation, amortization and write-downs, the gain/loss from the disposal of assets and other non-cash items). Other non-cash income and expenses primarily arose from the measurement of derivatives used to hedge foreign exchange exposure. Factoring in changes in working capital, which include changes in leased assets, changes in receivables from financial services and changes in pension provisions and other provisions, cash flows from operating activities are calculated. The item income taxes paid primarily includes payments to Porsche Holding Stuttgart GmbH, Stuttgart on account of the consolidated tax group in Germany and payments to foreign tax authorities.

Investing activities include additions to property, plant and equipment, and changes in equity investments, as well as additions of capitalized development costs, investments in securities, loans and time deposits.

Financing activities include outflows due to payments for profit transfers and dividend distributions and the repayment of bonds, as well as inflows from capital increases, the issuance of bonds and changes in other financial liabilities.

The changes in the items of the statement of financial position from which the statement of cash flows is derived are adjusted for non-cash effects. Changes in the items in the statement of financial position concerned can therefore not be reconciled directly with the figures in the published consolidated statement of financial position.

Cash flows from operating activities presented in the cash flow statement include:

€ million	2021	2020
Interest paid	159	167
Interest received	206	161
Dividends received ¹⁾	2	5

¹⁾ Dividends from joint ventures and associates as well as other equity investments.

The interest paid and received also contains the interest income and interest expenses from financial services reported in cost of sales or sales revenue.

€ million	Dec. 31, 2021	Dec. 31, 2020
Cash and cash equivalents as reported in the statement of financial position	4,686	4,500
Time deposits	359	156
Cash and cash equivalents as reported in the statement of cash flows	4,327	4,344

Time deposits are not classified as cash equivalents. Time deposits have a contractual maturity of more than three months. The maximum default risk corresponds to the carrying amount of the cash and cash equivalents. The table below shows the analysis of the changes in financial liabilities into cash and non-cash items:

€ million	Balance at Jan. 1, 2021	Cash-effective changes	Foreign exchange differences	Non-cash changes		Balance at Dec. 31, 2021
				Changes in consolidated group	Other changes	
ABS-refinancing	- 4,650	- 1,429	- 339	-	-	- 6,418
Other total third-party borrowings	- 2,711	442	23	-	-	- 2,246
Lease liabilities ¹⁾	- 964	110	- 37	-	- 172	- 1,063
Total third-party borrowings	- 8,325	- 877	- 353	-	- 172	- 9,727
Put options and compensation rights granted to non-controlling interest shareholders	-	-	-	-	-	-
Other financial assets and liabilities	- 5	2	- 1	-	-	- 4
Financial assets and liabilities in financing activities	- 8,330	- 875	- 354	-	- 172	- 9,731

€ million	Balance at Jan. 1, 2020	Cash-effective changes	Foreign exchange differences	Non-cash changes		Balance at Dec. 31, 2020
				Changes in consolidated group	Other changes	
ABS-refinancing	- 4,253	- 671	274	-	-	- 4,650
Other total third-party borrowings	- 2,451	- 279	19	-	-	- 2,711
Lease liabilities ¹⁾	- 910	96	24	- 2	- 172	- 964
Total third-party borrowings	- 7,614	- 854	317	- 2	- 172	- 8,325
Put options and compensation rights granted to non-controlling interest shareholders	-	-	-	-	-	-
Other financial assets and liabilities	- 1	- 3	-	-	-	- 5
Financial assets and liabilities in financing activities	- 7,615	- 857	317	- 2	- 172	- 8,330

¹⁾ Other changes to lease liabilities largely include non-cash additions of lease liabilities.

Other Disclosures

[33] IAS 23 (BORROWING COSTS)

Capitalized borrowing costs amounted to €24 million (prior year: €13 million) in the fiscal year and primarily related to capitalized development costs. At the Porsche group, an average borrowing rate of 1.3 per cent (prior year: 1.4 per cent) was used as the basis for capitalization.

[34] IFRS 16 – LEASES

1 LESSEE ACCOUNTING

The Porsche AG group primarily acts as lessee with respect to leases of office premises, real estate and other production resources. The leases are negotiated individually and include a wide range of contractual terms. Right-of-use assets under leases are included in the following items in the statement of financial position:

Presentation of and changes in right-of-use assets from January 1 to December 31, 2021:

€ million	Right of use on land, land rights and buildings incl. buildings on third party land	Right of use on technical equipment and machinery	Right of use on other equipment, operational and office equipment	Total
Cost Balance				
Balance at Jan. 1, 2020	943	9	44	996
Foreign exchange differences	- 26	-	-	- 26
Changes in consolidated group	2	-	-	2
Additions	183	-	18	201
Disposals	45	-	3	48
Balance at Dec. 31, 2020	1,057	9	59	1,125
Depreciation, amortization and impairment losses				
Balance at Jan. 1, 2020	84	1	9	94
Foreign exchange differences	- 3	-	-	- 3
Additions to cumulative depreciation	101	1	13	115
Disposals	18	-	3	21
Balance at Dec. 31, 2020	164	2	19	185
Carrying amount at Dec. 31, 2020	893	7	40	940
Cost Balance				
Balance at Jan. 1, 2021	1,057	9	59	1,125
Foreign exchange differences	42	0	1	43
Changes in consolidated group	-	-	-	-
Additions	191	2	12	205
Disposals	79	0	9	88
Balance at Dec. 31, 2021	1,211	11	63	1,285
Depreciation, amortization and impairment losses				
Balance at Jan. 1, 2021	164	2	19	185
Foreign exchange differences	6	0	0	6
Additions to cumulative depreciation	105	1	14	120
Disposals	46	0	8	54
Balance at Dec. 31, 2021	229	3	25	257
Carrying amount at Dec. 31, 2021	982	8	38	1,028

Income of €4 million (prior year: €4 million) was generated in the fiscal year from subleasing assets.

The measurement of right-of-use assets and the associated lease liability is subject to best estimates with regard to the exercise of options to extend or terminate the lease. This estimate is updated if there are material changes in circumstances or in the agreement.

The tables below show how the lease liabilities are presented in the statement of financial position and give an overview of their contractual maturities:

€ million	Dec. 31, 2021	Dec. 31, 2020
Non-current financial liabilities	956	873
Current financial liabilities	107	91
Total lease liabilities	1,063	964

Maturity analysis of undiscounted lease liabilities:

€ million	Remaining contractual maturities			Total
	under one year	within one to five years	over five years	
Lease liabilities at Dec. 31, 2021	134	414	854	1,402
Lease liabilities at Dec. 31, 2020	119	389	813	1,321

Interest expenses of €28 million (prior year: €32 million) were incurred for lease liabilities in the fiscal year.

Right-of-use assets were not recognized for short-term leases and leases of low-value assets. Expenses totaling €32 million (prior year: €29 million) were incurred for leases of low-value assets in the fiscal year. That figure does not include expenses for short-term leases, which totaled €91 million in the fiscal year (prior year: €94 million). €2 million (prior year: €0 million) was attributable to variable lease payments in the fiscal year.

In the fiscal year, total cash outflows of €262 million (prior year: €256 million) were attributable to leases entered into as lessee.

The table below gives an overview of potential future cash outflows not taken into consideration in the measurement of lease liabilities:

€ million	2021	2020
Future cash outflows to which the lessee is potentially exposed		
Variable lease payments	–	–
Residual value guarantees	–	–
Extension options	245	269
Termination options	1	6
Obligations under leases not yet commenced	28	16
Other limitations or obligations under leases	–	–
	274	291

2 LESSOR ACCOUNTING

The Porsche AG group acts as lessor under both finance and operating leases. These relate primarily to vehicles and, to a lesser extent, land and buildings and items of equipment for dealerships.

The Porsche AG group fully accounts for the credit risk arising in respect of lease receivables by recognizing loss allowances in accordance with IFRS 9. As lessor, the Porsche AG group counters risks from assets underlying the lease by, among other things, taking into account residual value guarantees received for parts of the lease portfolio as well as forward-looking residual value forecasts on the basis of internal and external information in the context of residual value management. The residual value forecasts are reviewed regularly.

2.1 Operating leases

Presentation of and changes in non-current leased assets from January 1 to December 31, 2021:

€ million	Leased land, rights and buildings, including buildings on third-party land under operating lease	Technical equipment and machines rented as part of operating lease	Other equipment, operating and business furnishing under operating lease	Total
Costs of acquisitions				
Balance at Jan. 1, 2020	–	–	5,477	5,477
Foreign exchange differences	–	–	– 430	– 430
Changes in consolidated group	–	–	–	–
Additions	–	–	2,323	2,323
Transfers	–	–	– 11	– 11
Disposals	–	–	2,193	2,193
Balance at Dec. 31, 2020	–	–	5,166	5,166
Depreciation, amortization and impairment losses				
Balance at Jan. 1, 2020	–	–	1,648	1,648
Foreign exchange differences	–	–	– 135	– 135
Additions to cumulative depreciation	–	–	743	743
Additions to cumulative impairment losses	–	–	127	127
Disposals	–	–	814	814
Reversal of impairment losses	–	–	17	17
Balance at Dec. 31, 2020	–	–	1,552	1,552
Carrying amount at Dec. 31, 2020	–	–	3,614	3,614
Costs of acquisitions				
Balance at Jan. 1, 2021	–	–	5,166	5,166
Foreign exchange differences	–	–	418	418
Changes in consolidated group	–	–	0	0
Additions	–	–	2,504	2,504
Transfers	–	–	– 28	– 28
Disposals	–	–	2,316	2,316
Balance at Dec. 31, 2021	–	–	5,744	5,744
Depreciation, amortization and impairment losses				
Balance at Jan. 1, 2021	–	–	1,552	1,552
Foreign exchange differences	–	–	129	129
Changes in consolidated group	–	–	– 2	– 2
Additions to cumulative depreciation	–	–	770	770
Additions to cumulative impairment losses	–	–	130	130
Disposals	–	–	745	745
Reversal of impairment losses	–	–	44	44
Balance at Dec. 31, 2021	–	–	1,790	1,790
Carrying amount at Dec. 31, 2021	–	–	3,954	3,954

The following cash inflows are expected in the coming years from non-discounted expected lease payments outstanding under operating leases:

€ million	2022	2023	2024	2025	2026	From 2027	Total
Dec. 31, 2021							
Lease payments	178	499	861	192	29	58	1,817

€ million	2021	2022	2023	2024	2025	From 2026	Total
Dec. 31, 2020							
Lease payments	171	455	686	201	15	53	1,581

Breakdown of income from operating leases:

€ million	2021	2020
Lease income	1,092	1,054
Income from variable lease payments	4	6
Total	1,096	1,060

2.2 Finance leases

Interest income on the net investment in the lease amounted to €73 million in the fiscal year (prior year: €66 million).

Reconciliation of lease payments from finance leases:

€ million	Dec. 31, 2021	Dec. 31, 2020
Non-guaranteed residual value	168	162
Non-discounted lease payments	1,782	1,654
Unearned interest income	- 123	- 103
Loss allowance on lease receivables	- 113	- 108
Other	-	-
Net investment	1,714	1,605

The following payments are expected in the next few years from non-discounted expected lease payments outstanding under finance leases:

€ million	2022	2023	2024	2025	2026	From 2027	Total
Dec. 31, 2021							
Lease payments	669	497	439	153	17	7	1,782

€ million	2021	2022	2023	2024	2025	From 2026	Total
Dec. 31, 2020							
Lease payments	661	476	377	122	18	0	1,654

[35] FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

1 HEDGING GUIDELINES AND FINANCIAL RISK MANAGEMENT PRINCIPLES

Due to the international activities in the automotive and financial services divisions, changes in exchange rates and interest rates affect the net assets, financial position and results of operations of the Porsche AG group. These risks result in particular from foreign currency transactions in the course of ordinary operations, from financing and from financial investing activities. The risks are regularly monitored, reported and centrally managed using financial instruments. The primary aim of using financial instruments is to limit the financial risk exposures in order to ensure the Porsche AG group's ability to continue as a going concern and its earnings power.

The principles and responsibilities for managing and controlling the risks that could arise from these financial instruments are defined by the Executive Board and monitored by the Supervisory Board. Internal guidelines exist within the Porsche AG group that clearly define the risk management and control processes. These guidelines regulate, among other things, the use of financial instruments or derivatives and the requisite control procedures, such as a clear segregation of functions between trading and settlement. The treasury department identifies, analyzes and monitors risks group-wide. The underlying guidelines and the supporting systems are checked regularly and brought into line with current market and product developments.

Derivative financial instruments are mainly used to control currency and interest rate risks. Currency risks from future sales revenue denominated in foreign currencies are hedged through the use of exchange rate hedging instruments for a period of up to five years. The main hedging instruments used are forward exchange transactions and currency options. The volume of exchange rate hedges is determined on the basis of the planned sales figures in the respective foreign currency, taking into account procurement volumes. The counterparties for the exchange/interest rate hedges are Volkswagen AG and major national and international financial institutions. Cooperation is subject to uniform regulations and continuous monitoring. The interest rate risk from variable-rate financing and the interest rate risk from refinancing the financial services business are largely hedged through the use of suitable derivatives such as interest rate swaps.

Financial instruments are primarily used to reduce financial risks. However, the financial instruments used give rise to potential risks, such as counterparty risks and accounting risks. Channeling excess liquidity into investments also exposes the group to counterparty risks. Partial or complete default by a counterparty would have a negative impact on the net assets, financial position and results of operations. In order to manage these risks, the Porsche AG group has set out guidelines to ensure that transactions are concluded only in approved financial instruments, only with approved counterparties and only on the admissible scale. Accounting risks relating to the financial instruments entered into for hedging purposes also have to be analyzed. The risk of effects on the presentation of results of operations in the income statement is limited by means of hedge accounting.

Default risks in receivables are reduced by means of a strict receivables management system.

2 CREDIT AND DEFAULT RISK

The credit and default risk arising from financial assets involves the risk of default by counterparties, and therefore comprises at a maximum the amount of the claims from recognized carrying amounts against the respective counterparty. The maximum credit and default risk is reduced by collateral held. Collateral is primarily held for financial assets allocated to the "at amortized cost" category, and comprises vehicles, assets assigned as collateral,

guarantees, and cash collateral. For level 3 financial assets with objective indications of impairment as of the reporting date, the collateral held reduces the risk by €1 million (prior year: €2 million).

The counterparties to material cash and capital investments and to derivatives are national and international financial institutions, as well as Volkswagen AG. Risk is also reduced by means of a limit system that is primarily based on credit assessments of the counterparties. The maximum amounts for default risk are presented in section 2.3.

The global allocation of business activities and the resulting diversification meant that there were no material risk concentrations at individual counterparties or counterparty groups in the fiscal year, with the exception of other financial receivables due from Porsche Holding Stuttgart GmbH.

The other financial receivables due from Porsche Holding Stuttgart GmbH mainly relate to loan receivables. There is a direct link between Porsche Holding Stuttgart GmbH's credit rating and that of Volkswagen AG. As long as Volkswagen AG supplies its wholly owned subsidiary Porsche Holding Stuttgart GmbH with sufficient liquidity, the latter can meet its current obligations to the Porsche AG group arising from the liabilities totaling €10,193 million (prior year: €9,951 million).

2.1 Loss allowance

The Porsche AG group applies the expected credit loss model under IFRS 9 on a uniform basis for all financial assets and other risk exposures.

IFRS 9 differentiates between the general approach and the simplified approach. The expected credit loss model under IFRS 9 comprises both loss allowances for financial assets where there are no objective indications of impairment, as well as loss allowances for financial assets that are already impaired.

Under the general approach, financial assets are assigned to one of three stages plus an additional stage for financial assets that were already impaired when acquired (stage 4). Stage 1 comprises financial assets at initial recognition or for which there has not been any significant increase in probability of default. Expected credit losses for the next 12 months are calculated at this stage. Stage 2 comprises financial assets with a significant increase in probability of default, and stage 3 comprises financial assets for which there are objective indications that default will occur. Lifetime expected credit losses are calculated in stages 2 to 4.

The Porsche AG group applies the simplified approach to trade receivables with a significant financing component. The same applies to receivables from operating or finance leases accounted for in accordance with IFRS 16. Under the simplified approach, expected credit losses are calculated consistently over the entire life of the asset.

The tables below present a reconciliation of gross receivables and loss allowances for the different classes of financial assets.

Changes in the gross carrying amounts of financial assets measured at amortized cost for the period from January 1 to December 31, 2021:

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2021	17,239	107	21	1,130	18,497
Foreign exchange differences	257	8	0	22	287
Changes in consolidated group	- 12	-	-	-	- 12
Changes	3,450	-	- 5	114	3,559
Modification	-	-	-	-	-
Transfers to					
Stage 1	41	- 39	- 2	-	-
Stage 2	- 23	23	-	-	-
Stage 3	- 4	-	4	-	-
Carrying amount at Dec. 31, 2021	20,948	99	18	1,266	22,331

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2020	15,190	44	25	912	16,171
Foreign exchange differences	- 207	- 8	0	- 25	- 240
Changes in consolidated group	37	-	-	- 1	36
Changes	2,290	-	- 4	244	2,530
Modification	-	-	-	-	-
Transfers to					
Stage 1	2	0	- 2	-	-
Stage 2	- 71	71	-	-	-
Stage 3	- 2	-	2	-	-
Carrying amount at Dec. 31, 2020	17,239	107	21	1,130	18,497

Changes in the loss allowance for financial assets measured at amortized cost for the period from January 1 to December 31, 2021:

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2021	29	12	18	35	94
Foreign exchange differences	2	1	0	0	3
Changes in consolidated group	0	–	–	–	0
Newly extended/purchased financial assets (additions)	13	–	–	6	19
Other changes within a stage	–	–	1	0	1
Transfers to					
Stage 1	5	–4	–1	–	–
Stage 2	–1	1	–	–	–
Stage 3	–4	–	4	–	–
Financial instruments derecognized during the period (disposals)	0	–	–7	–7	–14
Utilization	–	–	–2	–1	–3
Carrying amount at Dec. 31, 2021	44	10	13	33	100

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2020	22	4	17	32	75
Foreign exchange differences	–1	0	–1	0	–2
Changes in consolidated group	0	–	–	0	0
Newly extended/purchased financial assets (additions)	22	–	–	10	32
Other changes within a stage	0	–	12	–	12
Transfers to					
Stage 1	0	0	0	–	0
Stage 2	–8	8	–	–	–
Stage 3	–2	0	2	–	0
Financial instruments derecognized during the period (disposals)	–4	–	–8	–6	–18
Utilization	–	–	–4	–1	–5
Carrying amount at Dec. 31, 2020	29	12	18	35	94

Changes in the gross carrying amounts of lease receivables for the period from January 1 to December 31, 2021:

€ million	Simplified approach
Carrying amount at Jan. 1, 2021	1,726
Foreign exchange differences	- 1
Changes in consolidated group	-
Changes	116
Carrying amount at Dec. 31, 2021	1,841

	Simplified approach
Carrying amount at Jan. 1, 2020	1,649
Foreign exchange differences	- 6
Changes in consolidated group	-
Changes	83
Carrying amount at Dec. 31, 2020	1,726

Changes in the loss allowance for lease receivables for the period from January 1 to December 31, 2021:

€ million	Simplified approach
Carrying amount at Jan. 1, 2021	108
Foreign exchange differences	0
Changes in consolidated group	–
Newly extended/purchased financial assets (additions)	29
Other changes within a stage	–
Financial instruments derecognized during the period (disposals)	– 7
Utilization	– 16
Carrying amount at Dec. 31, 2021	114

	Simplified approach
Carrying amount at Jan. 1, 2020	109
Foreign exchange differences	0
Changes in consolidated group	–
Newly extended/purchased financial assets (additions)	32
Other changes within a stage	–
Financial instruments derecognized during the period (disposals)	– 15
Utilization	– 18
Carrying amount at Dec. 31, 2020	108

The gross carrying amount of the financial guarantees and credit commitments totals €72 million (prior year: €72 million). The loss allowance set up amounts to €0 million as of December 31, 2021 (prior year: €0 million).

2.2 Modifications

There were no contractual modifications of financial assets during the reporting period that would not have led to the financial assets being derecognized.

2.3 Maximum credit risk

The table below shows the maximum credit risk to which the Porsche AG group is exposed, broken down into the classes to which the impairment model is applied:

€ million	Dec. 31, 2021	Dec. 31, 2020
Financial instruments measured at fair value	–	–
Financial instruments measured at amortized cost	22,233	18,403
Financial guarantees and credit commitments	72	72
Not allocated to a measurement category	1,727	1,618
Total	24,032	20,093

The credit risk presented in the category “Financial guarantees and credit commitments” relate to a syndicated loan agreement with a total credit commitment of € 145 million. The total credit commitment is split into facilities A to C, with a term of up to 5 years (facilities A and B) or more than 5 years (facility C). Under this loan agreement, Porsche AG acts as guarantor for maximum utilization of up to €37.5 million (facilities A and B) and €35 million (facility C), respectively.

The category “not allocated to a measurement category” combines lease receivables pursuant to IFRS 16 of € 1,714 million (prior year: € 1,605 million) as well as receivables under long-term construction contracts pursuant to IFRS 15 of € 13 million (prior year: € 13 million). The maximum credit risk from financial instruments where the impairment model is not applied corresponds to the carrying amounts of these instruments and is described in notes [20] and [34].

2.4 Rating categories

The Porsche AG group examines the credit standing of the borrower for every loan and lease agreement. It uses scoring systems in the retail business, and rating systems for major customers and receivables from dealer financing. Receivables rated as “good” are allocated to credit risk rating grade 1. Receivables from customers whose credit rating is not “good” but have not yet defaulted are allocated to credit risk rating grade 2. All defaulted receivables are allocated to credit risk rating grade 3.

The table below shows the gross carrying amounts of financial assets by rating grade as of December 31, 2021.

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Dec. 31, 2021					
Credit risk rating grade 1 (receivables with no credit risk – standard loans)	20.949	–	–	3.091	–
Credit risk rating grade 2 (receivables with credit risk – intensified loan management)	–	99	–	4	–
Credit risk rating grade 3 (cancelled receivables – non-performing loans)	–	–	18	11	–
Total	20.949	99	18	3.106	–

	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Dec. 31, 2020					
Credit risk rating grade 1 (receivables with no credit risk – standard loans)	17.240	–	–	2.833	–
Credit risk rating grade 2 (receivables with credit risk – intensified loan management)	–	107	–	12	–
Credit risk rating grade 3 (cancelled receivables – non-performing loans)	–	–	21	10	–
Total	17.240	107	21	2.855	–

3 LIQUIDITY RISK

The solvency and liquidity of the Porsche AG group are ensured at all times by rolling liquidity planning, a cash liquidity reserve, confirmed credit lines and loans.

There is a master loan agreement with the Volkswagen group for a line of €4,000 million (amount drawn: €0 million; prior year: €0 million).

In certain countries (e.g., China), the Porsche AG group can only use local cash funds for cross-border transactions pursuant to exchange controls. There are no other material restrictions.

The following overview shows the contractual undiscounted cash outflows from financial instruments:

€ million	Remaining contractual maturities			Total
	Within one year	Within one to five years	In more than five years	
Dec. 31, 2021				
Financial liabilities	3,249	5,942	1,160	10,351
Trade payables	2,447	–	–	2,447
Other financial liabilities	2,813	258	–	3,071
Derivative financial instruments	16,913	13,677	–	30,590
	25,422	19,877	1,160	46,459
Dec. 31, 2020				
Financial liabilities	2,788	4,654	1,619	9,061
Trade payables	2,335	–	–	2,335
Other financial liabilities	2,750	172	–	2,922
Derivative financial instruments	11,145	7,889	9	19,043
	19,018	12,715	1,628	33,361

The maturities of the financial guarantees are presented in section 2.3.

The cash outflows from other financial liabilities include liabilities for tax allocations amounting to €636 million (prior year: €642 million).

Derivatives comprise both cash outflows from derivatives with negative fair values and cash outflows from derivatives with positive fair values for which gross settlement has been agreed. The cash outflows also include derivatives entered into by means of offsetting transactions. The cash outflows from derivatives for which gross settlement has been agreed are partly offset by cash inflows that are not taken into consideration in this maturity analysis. If these cash inflows were taken into account, the cash outflows presented would be significantly lower. This is particularly true of hedges entered into by means of offsetting transactions.

The Porsche AG group mainly generates liquidity through its business operations, external financing and the securitization of receivables. The funds are chiefly used to finance net working capital and capital expenditures and to cover the finance requirements of the leasing and sales financing business. Operational liquidity management uses cash pools in which material cash and cash equivalents in the Porsche AG group are pooled on a daily basis. There is also a cash pool with Volkswagen AG to make efficient use of the excess liquidity of Porsche AG. This enables liquidity surpluses and shortfalls to be controlled in line with requirements. The maturities of financial assets and financial liabilities as well as forecasts of cash flows from operating activities are included in short and medium-term liquidity management.

4 MARKET RISK

4.1 Hedging policy and financial derivatives

During the course of its general business activities, the Porsche AG group is exposed to foreign currency, interest rate and residual value risks, as well as risks relating to shares, bonds and commodity prices. It is company policy to exclude or limit these risks where possible by entering into hedging transactions. All necessary hedging transactions are executed or coordinated centrally by the treasury department.

4.1.1 Disclosures on gains and losses from cash flow hedges

Cash flow hedges are a hedge of the exposure to variability in future cash flows. These cash flows can result from a recognized asset or liability, as well as a highly probable forecast transaction. The table below shows the gains and losses from cash flow hedges by risk type:

€ million	2021	2020
Interest rate risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	17	- 1
Recognized in profit or loss	0	0
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	-	-
Due to realization of the hedged item	4	- 1
Currency risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	- 1,358	633
Recognized in profit or loss	1	- 1
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	0	1
Due to realization of the hedged item	343	166
Combined interest rate and currency risk hedging		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	1	- 1
Recognized in profit or loss	-	-
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	-	-
Due to realization of the hedged item	-	-

The effects on equity shown in the table are net of deferred taxes.

The gains or losses on changes in the fair value of hedging instruments included in hedge accounting correspond to the basis for determining hedge ineffectiveness. The ineffective portion of cash flow hedges is the income or expense from changes in the fair value of the hedging instrument that exceeds the changes in the fair value of the

hedged item. This hedge ineffectiveness arises due to differences in parameters between the hedging instrument and the hedged item. The respective income or expenses are recognized in other operating income or expenses and in the financial result.

The Porsche AG group uses two different methods to present market risk from non-derivative and derivative financial instruments in accordance with IFRS 7. For quantitative risk measurement, the financial services division uses a value-at-risk (VaR) model to measure interest rate and currency risk. By contrast, the residual value risk in the financial services division and market risk in the automotive division are determined using a sensitivity analysis. The VaR calculation indicates the extent of the maximum potential loss on the overall portfolio within a time horizon of 10 days at a confidence level of 99 per cent. It is based on aggregating all of the cash flows from the non-derivative and derivative financial instruments in an interest rate gap analysis. The historical market data used to calculate VaR covers a period of 521 trading days. The sensitivity analysis calculates the effect on equity and profit or loss by modifying risk variables within the respective market risk.

4.1.2 Disclosures on hedging instruments used in hedge accounting

The Porsche AG group enters into hedging instruments to hedge its exposure to variability in future cash flows. The table below shows the notional amounts, fair values, and inputs used to determine the ineffectiveness of the hedging instruments included in cash flow hedges:

€ million	Notional amount	Other assets	Other liabilities	Fair value changes to determine hedge ineffectiveness
Dec. 31, 2021				
Hedging interest rate risk				
Interest rate swaps	6,665	21	1	19
Hedging currency risk				
Currency forwards/Cross-currency swaps	27,731	116	991	– 518
Currency options	19,645	74	142	– 23
Combined interest rate and currency risk hedging				
Interest rate/currency swaps	101	0	4	– 3

€ million	Notional amount	Other assets	Other liabilities	Fair value changes to determine hedge ineffectiveness
Dec. 31, 2020				
Hedging interest rate risk				
Interest rate swaps	4,795	1	15	– 14
Hedging currency risk				
Currency forwards/Cross-currency swaps	17,049	468	139	1,049
Currency options	14,556	201	47	49
Combined interest rate and currency risk hedging				
Interest rate/currency swaps	145	8	15	– 6

The change in fair value presented in the table to calculate ineffectiveness corresponds to the change in fair value of the designated components.

4.1.3 Disclosures on hedged items used in hedge accounting

In addition to disclosures on the hedging instruments, disclosures must also be made on the hedged items, broken down by risk category and type of designation in hedge accounting. The table below lists the hedged items included in cash flow hedges:

€ million	Reserve for		
	Fair value changes to determine hedge ineffectiveness	Active cash flow hedges	Discontinued cash flow hedges
Dec. 31, 2021			
Hedging interest rate risk			
Designated components	21	- 16	-
Undesignated components	-	-	-
Deferred taxes	-	4	-
Total hedging interest rate risk	21	- 12	-
Hedging currency risk			
Designated components	- 543	533	-
Undesignated components	-	486	-
Deferred taxes	-	- 306	-
Total hedging currency risk	- 543	713	-
Combined interest rate and currency risk hedging			
Designated components	- 4	0	-
Undesignated components	-	-	-
Deferred taxes	-	0	-
Total hedging combined interest rate and currency risk	- 4	0	-

	Reserve for		
	Fair value changes to determine hedge ineffectiveness	Active cash flow hedges	Discontinued cash flow hedges
Dec. 31, 2020			
Hedging interest rate risk			
Designated components	- 15	13	-
Undesignated components	-	-	-
Deferred taxes	-	- 4	-
Total hedging interest rate risk	- 15	9	-
Hedging currency risk			
Designated components	1,104	- 1,095	-
Undesignated components	-	664	-
Deferred taxes	-	129	-
Total hedging currency risk	1,104	- 302	-
Combined interest rate and currency risk hedging			
Designated components	- 7	1	-
Undesignated components	-	-	-
Deferred taxes	-	0	-
Total hedging combined interest rate and currency risk	- 7	1	-

4.1.4 Changes in the reserve

The accounting treatment of cash flow hedges requires that the designated effective portions of hedges be recognized in equity (OCI I). Any excess changes in the fair value of the designated component are recognized through profit or loss as hedge ineffectiveness. The table below shows the changes in the reserve:

€ million	Interest rate risk	Currency risk	Interest rate/ currency risk	Total
Balance at Jan. 1, 2021	– 9	767	– 1	757
Gains or losses from effective hedging relationships	17	– 1,084	1	– 1,066
Reclassifications due to changes in whether the hedged item is expected to occur	–	0	–	0
Reclassifications due to realization of the hedged item	4	– 56	–	– 52
Reclassification of expected uncollectable losses recognized in other comprehensive income	–	–	–	–
Balance at Dec. 31, 2021	12	– 373	0	– 361

	Interest rate risk	Currency risk	Interest rate/ currency risk	Total
Balance at Jan. 1, 2020	– 7	– 12	0	– 19
Gains or losses from effective hedging relationships	– 1	976	– 1	974
Reclassifications due to changes in whether the hedged item is expected to occur	–	– 7	–	– 7
Reclassifications due to realization of the hedged item	– 1	– 190	–	– 191
Reclassification of expected uncollectable losses recognized in other comprehensive income	–	–	–	–
Balance at Dec. 31, 2020	– 9	767	– 1	757

In general, changes in the fair value of the non-designated components of a derivative must likewise immediately be recognized in profit or loss. An exception to this principle are fair value changes in the non-designated time values of options, to the extent they relate to the hedged item. In addition, the Porsche AG group initially recognizes in equity (OCI II) changes in the fair value of the non-designated forward components of currency forwards and non-designated cross-currency basis spreads (CCBS) on currency hedges used in cash flow hedging. This means that the Porsche AG group only recognizes changes in the fair value of the non-designated components or parts thereof immediately through profit or loss in the case of hedge ineffectiveness. The tables below give an overview of the changes in the reserve for hedging costs resulting from the non-designated portions of options and currency hedges.

Changes in the reserve for non-designated time value of options for the period from January 1 to December 31, 2021:

€ million	Currency risk
Balance at Jan. 1, 2021	36
Gains and losses from undesignated time value of options	
Hedged item is recognized at a point in time	- 146
Hedged item is recognized in a time-period	-
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	25
Hedged item is recognized in a time-period	-
Balance at Dec. 31, 2021	- 85

	Currency risk
Balance at Jan. 1, 2020	- 36
Gains and losses from undesignated time value of options	
Hedged item is recognized at a point in time	31
Hedged item is recognized in a time-period	-
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	41
Hedged item is recognized in a time-period	-
Balance at Dec. 31, 2020	36

Changes in the reserve for non-designated forward components and cross-currency basis spreads (CCBS) for the period from January 1 to December 31, 2021:

€ million	Currency risk
Balance at Jan. 1, 2021	- 501
Gains and losses from undesignated forward elements and CCBS	
Hedged item is recognized at a point in time	- 128
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	374
Reclassification due to changes in whether the hedged item is expected to occur	
Hedged item is recognized at a point in time	0
Balance at Dec. 31, 2021	- 255

	Currency risk
Balance at Jan. 1, 2020	- 451
Gains and losses from undesignated forward elements and CCBS	
Hedged item is recognized at a point in time	- 373
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	315
Reclassification due to changes in whether the hedged item is expected to occur	
Hedged item is recognized at a point in time	8
Balance at Dec. 31, 2020	- 501

4.2 Market risk in the financial services division

4.2.1 Interest rate risk

Interest rate risk in the financial services division mainly results from changes in market interest rates, primarily for medium- and long-term floating-rate liabilities and from non-maturity-matched refinancing. This risk is reduced by entering into interest rate hedges and cross-currency interest rate swaps.

As of December 31, 2021, the VaR for interest rate risk amounted to €19 million (prior year: €3 million).

4.2.2 Currency risk

Currency risk in the financial services division mainly results from assets denominated in a currency other than the functional currency, and from refinancing as part of operating activities.

As of December 31, 2021, the VaR for currency risk amounted to €3 million (prior year: €4 million).

4.2.3 Residual value risks

The residual value risk inherent in the leasing business results from a negative deviation between the residual value calculated when the agreement is concluded and the market value of the leased vehicle when it is sold following expiry of the agreed lease period.

In some markets, such as North America and to some extent in Germany, this residual value risk is borne by Porsche financial services companies. The market price of used vehicles constitutes the key risk variable in this context. Operational risk management is provided via ongoing monitoring of the development of used vehicle prices by means of data available outside the company. Residual value forecasts are used to check the appropriateness of the loss allowance and the residual value risk potential. The effects on profit after tax arising from a change in used vehicle prices are quantified using a sensitivity analysis.

If the used vehicle prices of the vehicles included in the residual value guarantee model had been 10 per cent higher as of December 31, 2021, profit after tax would have been €23 million (prior year: €18 million) higher. If the used vehicle prices of the vehicles included in the residual value guarantee model had been 10 per cent lower as of December 31, 2021, profit after tax would have been €23 million (prior year: €18 million) lower.

4.3 Market risk in the automotive division

4.3.1 Interest rate risk

Interest rate risk in the automotive division results from changes in market interest rates, primarily for medium- and long-term interest-bearing receivables and liabilities. Floating-rate items are included in cash flow hedges and – depending on the market situation – some are hedged by means of interest rate swaps.

In the automotive division, interest rate risk within the meaning of IFRS 7 is calculated using sensitivity analyses. The effect of risk-variable market interest rates on the financial result and equity are presented net of tax.

If market interest rates had been 100 bps higher as of December 31, 2021, equity would have been €0 million (prior year: €0 million) lower. If market interest rates had been 100 bps lower as of December 31, 2021, equity would have been €0 million (prior year: €0 million) higher.

If market interest rates had been 100 bps higher as of December 31, 2021, profit after tax would have been €10 million lower (prior year: €4 million). If market interest rates had been 100 bps lower as of December 31, 2021, profit after tax would have been €8 million higher (prior year: €5 million).

4.3.2 Currency risk

Currency risk in the automotive division mainly results from operating activities, as well as investments and financing operations. Currency forwards and currency options are used to reduce currency risk. They are used to hedge the exchange rates for all material payments made in the course of general business operations that are not denominated in the functional currency of the respective company.

In 2021, hedges were entered into in the following currencies as part of currency risk management: Australian dollar (AUD), Brazilian real (BRL), British pound sterling (GBP), Canadian dollar (CAD), Chinese renminbi (CNY), Hong Kong dollar (HKD), Japanese yen (JPY), Mexican peso (MXN), Polish zloty (PLN), Russian ruble (RUB),

Singapore dollar (SGD), South Korean won (KRW), Swedish krona (SEK), Swiss franc (CHF), Taiwan dollar (TWD), and US dollar (USD).

All non-functional currencies in which the Porsche AG group enters into financial instruments are included as relevant risk variables in the sensitivity analysis in accordance with IFRS 7.

If the functional currency euro had appreciated or depreciated by 10 per cent against the other currencies, this would have resulted in the following effects on the hedging reserve in equity and profit after tax for the following currency pairs. It is not expedient to add up the individual values, since the results are based on different scenarios depending on the functional currency.

The table below shows the sensitivities as of December 31, 2021 with respect to the key currencies held.

€ million	Dec. 31, 2021		Dec. 31, 2020	
	+10 %	- 10 %	+10 %	- 10 %
Exchange rate				
EUR /USD				
Hedging reserve	734	- 733	641	- 562
Profit/loss after tax	- 16	16	- 25	25
EUR /TWD				
Hedging reserve	66	- 66	42	- 42
Profit/loss after tax	- 5	5	- 3	3
EUR /MXN				
Hedging reserve	5	- 5	5	- 5
Profit/loss after tax	-	-	-	-
EUR /PLN				
Hedging reserve	18	- 18	25	- 25
Profit/loss after tax	- 1	1	-	-
EUR /GBP				
Hedging reserve	204	- 204	126	- 121
Profit/loss after tax	- 10	10	- 4	4
EUR /CNY				
Hedging reserve	750	- 849	364	- 321
Profit/loss after tax	- 90	90	- 84	84
EUR /CHF				
Hedging reserve	93	- 104	76	- 76
Profit/loss after tax	- 2	2	- 1	1
EUR /SEK				
Hedging reserve	36	- 36	32	- 33
Profit/loss after tax	- 2	2	-	-
EUR /HKD				
Hedging reserve	15	- 15	14	- 13
Profit/loss after tax	- 1	1	-	-
EUR /RUB				
Hedging reserve	15	- 15	16	- 16
Profit/loss after tax	- 3	3	- 2	2
EUR /SGD				
Hedging reserve	4	- 4	2	- 2
Profit/loss after tax	-	-	-	-
EUR /KRW				
Hedging reserve	60	- 59	44	- 43
Profit/loss after tax	- 9	9	- 11	11
EUR /CAD				
Hedging reserve	92	- 93	54	- 48
Profit/loss after tax	- 3	3	- 2	2
EUR /JPY				
Hedging reserve	75	- 67	80	- 74
Profit/loss after tax	- 6	6	- 12	12
EUR /AUD				
Hedging reserve	62	- 61	44	- 44
Profit/loss after tax	- 8	8	- 4	4
EUR /BRL				
Hedging reserve	5	- 5	2	- 2
Profit/loss after tax	- 1	1	- 1	1

4.3.3 Equity and bond price risks

The special fund launched using surplus liquidity, UI-356, is exposed in particular to equity and bond price risk that may arise from fluctuations in quoted market prices, stock exchange indices and market interest rates. The risks to which the special fund is exposed are generally countered by the Porsche AG group by ensuring a broad diversification across a range of products, issuers and regional markets when making investment decisions, as stipulated in the investment policy. The risk management system in place is based on a minimum value threshold and, if the market situation is appropriate, exchange rate hedges are entered into.

IFRS 7 stipulates that the presentation of market risk must include disclosures on how hypothetical changes in risk variables impact the price of financial instruments. The risk variables include in particular quoted market prices or indices, as well as interest rate changes as a bond pricing parameter.

If share prices had been 10 per cent higher as of December 31, 2021, profit after tax would have been €31 million (prior year: €19 million) higher. If share prices had been 10 per cent lower as of December 31, 2021, profit after tax would have been €40 million (prior year: €27 million) lower.

5 METHODS FOR MONITORING HEDGE EFFECTIVENESS

Since transitioning to IFRS 9, the Porsche AG group mainly assesses the effectiveness of hedges on a prospective basis using the critical terms match method. Retrospective analysis of effectiveness uses effectiveness tests in the form of the dollar offset method. Under the dollar offset method, the changes in value of the hedged item expressed in monetary units are compared with the changes in value of the hedging instrument expressed in monetary units.

For this purpose, cumulative changes in the value of the designated spot component of the hedging instrument and the hedged item are compared. If there is no critical terms match, the same procedure is applied to the non-designated component.

The table below shows the remaining maturities profile of the notional amounts of hedging instruments recognized under the Porsche AG group hedge accounting requirements, as well as derivatives not included in hedge accounting:

€ million	Term to maturity			Total notional amount	Total notional amount
	Up to one year	within one to five years	over five years	Dec. 31, 2021	Dec. 31, 2020
Notional amount of hedging instruments					
Hedging interest rate risk					
Interest rate swaps	3,040	3,625	–	6,665	4,795
Hedging currency risk					
Currency forwards/Cross-currency swaps					
Currency forwards/Cross-currency swaps in CNY	6,220	2,365	–	8,585	3,737
Currency forwards/Cross-currency swaps in USD	3,136	6,228	–	9,364	6,720
Currency forwards/Cross-currency swaps in GBP	1,286	1,655	–	2,941	1,701
Currency forwards/Cross-currency swaps in other currencies	2,525	4,316	–	6,841	4,891
Currency options					
Currency options in CNY	6,122	4,174	–	10,296	3,986
Currency options in USD	3,357	2,739	–	6,096	6,517
Currency options in other currencies	1,589	1,664	–	3,253	4,053
Combined interest rate and currency risk hedging					
Interest rate/currency swaps other currencies	69	32	0	101	145
Notional amount of other derivatives					
Hedging interest rate risk					
Interest rate swaps	204	562	0	766	662
Hedging currency risk					
Currency forwards/Cross-currency swaps					
Currency forwards ¹⁾	4,441	0	0	4,441	2,895

¹⁾ The prior-year figures were adjusted.

In addition to the other derivatives used to hedge currency and interest rate risk, as presented above, on the December 31, 2021 reporting date the group held credit swaps with a notional amount of €7 million (prior year: €0 million) and remaining maturity of 4-5 years. The group also held equity futures (€116 million; prior year: €88 million), fixed income futures (€257 million; prior year: €94 million), other swaps (€51 million; prior year: €0 million), currency futures of €14 million (prior year: €0 million), currency options (€144 million; prior year: €0 million) and equity swaps (€0 million; prior year: €32 million) with a remaining maturity of under one year, as well as equity swaps (€153 million; prior year: €0 million) with a remaining maturity of 3-4 years and equity swaps (€0 million; prior year: €145 million) with a remaining maturity of 4-5 years.

With respect to the interest rate swaps and cross-currency interest rate swaps presented above, the Porsche AG group achieved an average hedging interest rate of 0.2 per cent (prior year: 0.3 per cent) and 0.8 per cent (prior year: 1.1 per cent), respectively, weighted by total notional amount.

With respect to the currency forwards and currency options, the Porsche AG group achieved a hedging exchange rate for the material currencies of 7.82 and 7.70, respectively (EUR/CNY; prior year: 8.07 and 7.88, respectively), 0.88 (EUR/GBP; prior year: 0.90) and 1.18 and 1.15, respectively (EUR/USD; prior year: 1.20 and 1.15, respectively), weighted by total notional amount.

The total notional amount includes both derivatives entered into by means of offsetting transactions, as well as the offsetting transactions themselves. The offsetting transactions partly offset effects resulting from the original hedge, meaning that the respective notional amount would be significantly higher were the offsetting transaction not taken into account.

Another effect that increases the notional amount results from cylinder options, where both the put and call options are taken into consideration in the notional amount.

The hedged items in cash flow hedges are expected to be realized in accordance with the maturity buckets of the hedges presented in the table.

The market values of the derivatives are determined using market data on the reporting date and suitable valuation techniques. The calculation was based on the following interest rate structure:

%	EUR	USD	GBP	CHF	JPY
Dec. 31, 2021					
Interest rate for 6 months	- 0.58	0.19	0.49	- 0.71	- 0.04
Interest rate for 1 year	- 0.51	0.39	0.76	- 0.67	- 0.04
Interest rate for 5 years	0.02	1.12	1.05	- 0.23	- 0.01
Interest rate for 10 years	0.30	1.31	0.95	0.10	0.08
Dec. 31, 2020					
Interest rate for 6 months	- 0.47	0.18	0.01	- 0.73	- 0.15
Interest rate for 1 year	- 0.52	0.18	- 0.01	- 0.73	- 0.10
Interest rate for 5 years	- 0.46	0.43	0.19	- 0.56	- 0.04
Interest rate for 10 years	- 0.27	0.92	0.40	- 0.29	0.05

Given its use of interest rate swaps and cross-currency interest rate swaps for hedging purposes, the IBOR reform exposes Porsche AG to uncertainties with respect to timing, the amount of IBOR-based cash flows and the risk to which the hedged item and hedging instrument are exposed. Porsche AG applies the practical expedients provided for in the amendments to the accounting standards for all hedges affected by the above uncertainties relating to the IBOR reform, irrespective of the remaining terms of the hedged items and hedging instruments included in the hedging relationships.

The uncertainties relate to the USD LIBOR and CAD CDOR reference rates.

In cash flow hedges used to hedge the risk of changes in future cash flows, the uncertainty relates to the highly probable expectation of hedged variable future cash flows.

The likely effects of the IBOR reform are assessed on an ongoing basis. The necessary transition measures have already been implemented for the reference interest rates mentioned above. By modifying systems and processes, these measures ensure that the new reference rates can replace those superseded by the IBOR reform in a timely manner.

The notional amounts of hedging instruments affected by the above uncertainties surrounding the IBOR reform amount to €4,823 million (prior year: €3,212 million) for USD LIBOR and €202 million (prior year: €108 million) for CAD CDOR.

6 OTHER DISCLOSURES ON FINANCIAL INSTRUMENTS

6.1 Carrying amounts of financial instruments by measurement category

The table below shows the carrying amounts of financial instruments by measurement category.

€ million	Dec. 31, 2021	Dec. 31, 2020
Financial assets measured at fair value through profit or loss	1,280	846
Financial assets measured at fair value through other comprehensive income (debt instruments)	–	–
Financial assets measured at fair value through other comprehensive income (equity instruments)	62	75
Financial instruments measured at amortized cost	22,233	18,404
Financial liabilities measured at fair value through profit or loss	17	70
Financial liabilities measured at amortized cost	14,227	12,654

The measurement category “financial assets measured at fair value through other comprehensive income (equity instruments)” contains equity investments in unlisted companies in which the Porsche AG group holds between 0.03 per cent and 13.27 per cent of the shares. As these are long-term equity investments, they are irrevocably measured at fair value through other comprehensive income.

The fair values recognized as of December 31, 2021 relate to the shares in Tactile Mobility Ltd., Haifa (€10 million; prior year: €0 million), Urgent.ly Inc., Vienna/VA (€7 million; prior year: €7 million), Customcells Holding GmbH, Itzehoe (€6 million; prior year: €0 million), RSE Markets, Inc., New York/NY (€5 million; prior year: €2 million), DSP Concepts, Inc., Santa Clara/CA (€5 million; prior year: €2 million), WayRay AG, Zurich (€0 million; prior year: €18 million) as well as other smaller equity investments (€29 million; prior year: €9 million). The shares in Rimac Automobili D.O.O., Sveta Nedelja (€148 million; prior year: €30 million) and Greyp bikes D.O.O., Brezje (€14 million; prior year: €7 million) were increased and the companies are included as associates.

6.2 Classes of financial instruments

The Porsche AG group allocates financial instruments to the following classes:

- financial instruments measured at fair value
- financial instruments measured at amortized cost
- derivative financial instruments included in hedge accounting
- not allocated to any measurement category
- Credit commitments and financial guarantees (not recognized in the statement of financial position)

6.3 Reconciliation of items in the statement of financial position to the classes of financial instruments

The table below presents a reconciliation of the line items in the statement of financial position to the classes of financial instruments, broken down by the carrying amounts and fair values of the financial instruments.

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	STATEMENT OF FINANCIAL POSITION ITEM AT DEC. 31, 2021
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Non-current assets						
Equity-accounted investments	–	–	–	–	573	573
Other equity investments	142	–	–	–	171	313
Financial services receivables	–	2,330	2,402	–	1,131	3,461
Other financial assets	147	8,301	9,009	148	–	8,596
Current assets						
Trade receivables	–	1,199	1,199	–	–	1,199
Financial services receivables	–	497	497	–	584	1,081
Other financial assets	71	5,219	5,219	63	–	5,353
Securities	982	–	–	–	–	982
Cash, cash equivalents and time deposits	–	4,686	4,686	–	–	4,686
Non-current liabilities						
Financial liabilities	–	5,643	5,680	–	956	6,599
Other financial liabilities	1	259	259	373	–	633
Current liabilities						
Financial liabilities	–	3,021	3,021	–	107	3,128
Trade payables	–	2,447	2,447	–	–	2,447
Other financial liabilities	16	2,857	2,857	765	–	3,638

€ million	MEASURED AT	MEASURED AT AMORTIZED COST		DERIVATIVE	NOT	STATEMENT OF
	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	FINANCIAL	ALLOCATED TO	
	CARRYING AMOUNT	CARRYING AMOUNT	FAIR VALUE	INSTRUMENTS	A	FINANCIAL
				WITHIN HEDGE	MEASUREMENT	POSITION ITEM
				ACCOUNTING	CATEGORY	AT DEC. 31,
						2020
Non-current assets						
Equity-accounted investments	–	–	–	–	167	167
Other equity investments	105	–	–	–	112	217
Financial services receivables	–	1,393	1,451	–	1,021	2,414
Other financial assets	54	8,281	9,004	535	–	8,870
Current assets						
Trade receivables	–	1,081	1,081	–	–	1,081
Financial services receivables	–	538	538	–	584	1,122
Other financial assets	7	2,611	2,611	143	–	2,761
Securities	755	–	–	–	–	755
Cash, cash equivalents and time deposits	–	4,500	4,500	–	–	4,500
Non-current liabilities						
Financial liabilities	–	4,795	4,873	–	873	5,668
Other financial liabilities	6	173	173	106	–	285
Current liabilities						
Financial liabilities	–	2,566	2,566	–	91	2,657
Trade payables	–	2,335	2,335	–	–	2,335
Other financial liabilities	64	2,785	2,785	110	–	2,959

The fair value of financial instruments accounted for at amortized cost, such as receivables and liabilities, is determined by means of discounting using a market interest rate that reflects the risks involved and when the outflow is due. For reasons of materiality, fair value is adopted as the carrying amount for current items in the statement of financial position.

For the reconciliation to the carrying amounts in the statement of financial position, the "Not allocated to a measurement category" column in the table also includes items that are not financial instruments.

The key risk variables for the fair values of receivables are risk-adjusted interest rates.

Financial instruments measured at fair value also include shares in partnerships and corporations.

The other financial assets include loan receivables due from Porsche Holding Stuttgart GmbH in the amount of €8,135 million (prior year: €8,135 million). The loan currently has a term until November 30, 2022 and is

automatically extended by one year if it is not terminated by August 31, 2022 at the latest. As the medium-term planning approved by the boards does not include the termination of the loan as of August 31, 2022, the board of management of Porsche AG has assumed a minimum term of two years when calculating the fair value.

6.4 Fair values of financial assets and liabilities

Fair values are allocated to the levels of the fair value hierarchy based on the availability of observable market prices. Level 1 shows the fair values of financial instruments where a quoted price is directly available on active markets. This includes securities issued by the Porsche AG group. Fair values in level 2, such as derivatives, are derived from market data using market valuation techniques. These market data include in particular currency exchange rates and yield curves which are observable on the relevant markets and can be obtained from pricing service providers. Level 3 fair values are calculated using valuation techniques with inputs that are not based on directly observable market data. In particular, the Porsche AG group allocated options on equity instruments to level 3. Equity instruments are primarily measured on the basis of the respective business plans and entity-specific discount rates.

Financial assets and liabilities measured at fair value by level:

€ million	Dec. 31, 2021	Level 1	Level 2	Level 3
Non-current assets				
Other equity investments	142	0	–	142
Financial services receivables	–	–	–	–
Other financial assets	147	–	87	60
Current assets				
Trade receivables	–	–	–	–
Financial services receivables	–	–	–	–
Other financial assets	71	–	70	1
Securities	982	982	–	–
Assets classified as held for sale	–	–	–	–
Non-current liabilities				
Other financial liabilities	1	–	1	–
Current liabilities				
Other financial liabilities	16	–	16	–

	Dec. 31, 2020	Level 1	Level 2	Level 3
Non-current assets				
Other equity investments	105	0	–	105
Financial services receivables	–	–	–	–
Other financial assets	54	–	12	42
Current assets				
Trade receivables	–	–	–	–
Financial services receivables	–	–	–	–
Other financial assets	7	–	7	–
Securities	755	755	–	–
Assets classified as held for sale	–	–	–	–
Non-current liabilities				
Other financial liabilities	6	–	6	–
Current liabilities				
Other financial liabilities	64	–	64	–

The fair values of financial assets and liabilities measured at amortized cost are presented in the following overview. The fair value of receivables from financial services allocated to level 3 is determined using the current market interest rates valid on the reporting date instead of the internal interest rate. The material inputs used to calculate the fair value of receivables from financial services are forecasts and estimates of used vehicle residual values for the respective models. The receivables from financial services also include assets amounting to €1,714 million (prior year: €1,605 million) that are measured in accordance with IFRS 16.

€ million	Dec. 31, 2021	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	2,899	–	–	2,899
Trade receivables	1,199	–	1,199	–
Other financial assets	14,228	466	13,762	–
Cash, cash equivalents and time deposits	4,686	4,327	359	–
Fair value of financial assets measured at amortized cost	23,012	4,793	15,320	2,899
Fair value of financial liabilities measured at amortized cost				
Trade payables	2,447	–	2,447	–
Financial liabilities	8,700	5	8,695	–
Other financial liabilities	3,116	47	2,879	190
Fair value of financial liabilities measured at amortized cost	14,263	52	14,021	190

	Dec. 31, 2020	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	1,989	–	–	1,989
Trade receivables	1,081	–	1,081	–
Other financial assets	11,615	408	11,207	0
Cash, cash equivalents and time deposits	4,500	4,344	156	–
Fair value of financial assets measured at amortized cost	19,185	4,752	12,444	1,989
Fair value of financial liabilities measured at amortized cost				
Trade payables	2,335	–	2,335	–
Financial liabilities	7,439	0	7,439	–
Other financial liabilities	2,958	37	2,761	160
Fair value of financial liabilities measured at amortized cost	12,732	37	12,535	160

Derivative financial instruments included in hedge accounting by level:

€ million	Dec. 31, 2021	Level 1	Level 2	Level 3
Non-current assets				
Other financial assets	148	–	148	–
Current assets				
Other financial assets	63	–	63	–
Non-current liabilities				
Other financial liabilities	373	–	373	–
Current liabilities				
Other financial liabilities	765	–	765	–

	Dec. 31, 2020	Level 1	Level 2	Level 3
Non-current assets				
Other financial assets	535	–	535	–
Current assets				
Other financial assets	143	–	143	–
Non-current liabilities				
Other financial liabilities	106	–	106	–
Current liabilities				
Other financial liabilities	110	–	110	–

The table below summarizes the changes in items in the statement of financial position measured at fair value and allocated to level 3:

€ million	Financial assets measured at fair value
Balance at Jan. 1, 2021	147
Changes in consolidated group	– 159
Additions (acquisitions)	126
Reclassification from level 2 to level 3	– 14
Total comprehensive income	108
recognized in profit or loss	65
recognized directly in equity	43
Realizations	– 5
Disposal (sales)	0
Balance at Dec. 31, 2021	203
Gains or losses recognized in profit or loss	
Other operating profit/loss	0
thereof attributable to assets/liabilities held on the reporting date	0
Financial result	65
thereof attributable to assets/liabilities held on the reporting date	– 6
Balance at Jan. 1, 2020	29
Changes in consolidated group	90
Additions (acquisitions)	19
Reclassification from level 2 to level 3	0
Total comprehensive income	10
recognized in profit or loss	11
recognized directly in equity	– 1
Realizations	– 1
Disposal (sales)	0
Balance at Dec. 31, 2020	147
Gains or losses recognized in profit or loss	
Other operating profit/loss	– 1
thereof attributable to assets/liabilities held on the reporting date	– 1
Financial result	12
thereof attributable to assets/liabilities held on the reporting date	1

Transfers between the levels of the fair value hierarchy are generally reported as of the respective reporting dates. There were no transfers between the levels of the fair value hierarchy during the reporting period.

The key risk variable for equity instruments held by the company is the corresponding enterprise value. A sensitivity analysis is used to present the effects of a change in the risk variable on profit after tax as well as equity. If the assumed enterprise values had been 10 per cent higher as of December 31, 2021, profit after tax would have been €6 million (prior year: €2 million) higher. If the assumed enterprise values had been 10 per cent lower as of December 31, 2021, profit after tax would have been €6 million (prior year: €2 million) lower. If the assumed enterprise values had been 10 per cent higher as of December 31, 2021, equity would have been €4 million (prior year: €5 million) higher. If the assumed enterprise values had been 10 per cent lower as of December 31, 2021, equity would have been €4 million (prior year: €5 million) lower.

The key risk variable for options on equity instruments held by the company is the corresponding enterprise value. A sensitivity analysis is used to present the effects of a change in the risk variable on profit after tax. If the assumed enterprise values had been 10 per cent higher as of December 31, 2021, profit after tax would have been €4 million (prior year: €3 million) higher. If the assumed enterprise values had been 10 per cent lower as of December 31, 2021, profit after tax would have been €4 million (prior year: €3 million) lower.

6.5 Offsetting financial assets and liabilities

€ million	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION		
				Financial instruments	Collateral received	Net amount at Dec. 31, 2021
Derivative financial instruments	354	–	354	– 190	–	164
Financial services receivables	4,542	–	4,542	–	–	4,542
Trade receivables	1,199	–	1,199	–	–	1,199
Securities	982	–	982	–	–	982
Cash, cash equivalents and time deposits	4,686	–	4,686	–	–	4,686
Other financial assets	13,738	–	13,738	–	–	13,738

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION		
				Financial instruments	Collateral received	Net amount at Dec. 31, 2020
Derivative financial instruments	739	–	739	– 186	–	553
Financial services receivables	3,536	–	3,536	–	–	3,536
Trade receivables	1,081	–	1,081	–	–	1,081
Securities	755	–	755	–	–	755
Cash, cash equivalents and time deposits	4,500	–	4,500	–	–	4,500
Other financial assets	10,997	–	10,997	–	–	10,997

€ million	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Collateral pledged	Net amount at Dec. 31, 2021
Derivative financial instruments	1,156	–	1,156	– 190	–	966
Financial liabilities	9,727	–	9,727	–	–	9,727
Trade payables	2,447	–	2,447	–	–	2,447
Other financial liabilities	3,116	–	3,116	–	–	3,116

€ million	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Collateral pledged	Net amount at Dec. 31, 2020
Derivative financial instruments	286	–	286	– 186	–	100
Financial liabilities	8,325	–	8,325	–	–	8,325
Trade payables	2,335	–	2,335	–	–	2,335
Other financial liabilities	2,958	–	2,958	–	–	2,958

The tables above present disclosures on the effects of offsetting in the consolidated statement of financial position and the potential financial effect of offsetting in the case of instruments subject to an enforceable master netting arrangement or similar agreement.

The column "Other financial assets" contains other equity investments measured at fair value of € 142 million (prior year: € 105 million).

The "Financial instruments" column presents amounts subject to a master netting arrangement but that are not offset because they do not meet the conditions for offsetting in the statement of financial position. The "Collateral received" and "Collateral pledged" columns present the amounts in relation to the total amount of assets and liabilities received or pledged as collateral in the form of cash or financial instruments that do not meet the conditions for offsetting in the statement of financial position.

6.6 Asset-backed securities transactions

Porsche Financial Services largely uses asset-backed securities transactions to refinance its portfolio of lease and financing agreements. This involves assigning the expected payments to structured financing companies and

transferring the financed vehicles are as collateral. Porsche Financial Services makes a distinction here between revolving, non-public facilities with one or a syndicate of refinancing partners and amortizing, public asset-backed securities bonds, which are broadly marketed to investors on the capital market. In the event that asset-backed securities bond issues are not possible to the planned extent on account of unfavorable market conditions, Porsche Financial Services also uses asset-backed, amortizing private placements as the need arises by directly approaching selected major investors as an alternative refinancing instrument.

Transactions in asset-backed securities conducted to refinance the financial services business amounted to €6,418 million (prior year: €4,650 million) and were reported in ABS refinancing. The corresponding carrying amount of the receivables from customer and dealer financing and the finance lease business amounted to €3,662 million (prior year (adjusted): €2,105 million). Collateral totaling €7,365 million (prior year (adjusted): €5,489 million) was provided for transactions in asset-backed securities, of which €3,662 million (prior year: €2,105 million) relates to collateral in the form of financial assets. The transactions in asset-backed securities did not result in the disposal of receivables from the financial services business since del credere and repayment risks were retained within the Porsche AG group. The difference between the pledged receivables and the associated liabilities resulted from the share of vehicles financed within the Porsche AG group.

A majority of the group's asset-backed securities transactions may be repaid ahead of schedule ("clean up call") if a contractually fixed minimum volume (%) regarding the original transaction volume is still outstanding. The pledged receivables may not be pledged further or otherwise serve as collateral. The claims of the bond holders are limited to the amount of the receivables pledged and the proceeds from these receivables are earmarked for repayment of the corresponding liability. As of December 31, 2021, the fair value of the receivables from the financing business that have been pledged but not disposed of amounted to €3,292 million (prior year (adjusted): €1,991 million). The fair value of the associated liabilities as of the reporting date amounted to €2,994 million (prior year (adjusted): €1,811 million).

6.7 Total interest income and expenses

The total interest income attributable to financial assets and liabilities measured at amortized cost, as calculated using the effective interest method, amounted to €560 million (prior year: €519 million) and the total interest expenses amounted to €136 million (prior year: €158 million).

6.8 Net gains/losses from financial instruments

The following table shows the net gains or losses from financial assets and financial liabilities, which is followed by detailed information on the material items.

Net gains/losses from financial assets by IFRS 9 measurement category:

€ million	2021	2020
Financial instruments measured at fair value through profit or loss	213	- 73
Financial instruments measured at amortized cost	597	410
Financial assets measured at fair value through other comprehensive income (debt instruments)	-	-
Financial liabilities measured at amortized cost	-33	10

The net gains or losses in the "financial instruments measured at fair value through profit or loss" category mainly result from the fair value measurement of derivatives, including interest and gains or losses on currency translation.

The net gains or losses in the "financial assets and liabilities measured at amortized cost" category mainly comprise interest income and expenses under the effective interest method pursuant to IFRS 9, currency translation effects, and the recognition of loss allowances. Interest also includes interest income and expenses from the lending business in the financial services division.

[36] CONTINGENT LIABILITIES

€ million	Dec. 31, 2021	Dec. 31, 2020
Guarantees	2	3
Warranties	0	0
Collateral for third-party liabilities	-	-
Other contingent liabilities	40	16

No provisions were recognized for contingent liabilities as the probability of occurrence of the risk is remote. The contingent liabilities do not include amounts connected with the diesel issue described in note [38]. Further official investigations/proceedings are at a stage where the basis for claims has not yet been specified and/or the amounts cannot be determined with sufficient precision. To the extent that they meet the definition of a contingent liability, these official investigations/proceedings were generally not disclosed due to the lack of measurable data.

In accordance with IAS 37.92, no further disclosures are made in respect of estimates of the financial impact or disclosures relating to uncertainties surrounding the amount or timing of contingent liabilities in connection with administrative investigations, so as not to prejudice the outcome of the proceedings or the company's interests. Further information can be found in note [38].

[37] OTHER FINANCIAL OBLIGATIONS

€ million	Maturity			Total
	Within one year	Within one to five years	More than five years	
Dec. 31, 2021				
Purchase commitments in respect of				
Property, plant and equipment	376	90	–	466
Intangible assets	1,327	355	–	1,682
Obligations from				
irrevocable credit commitments to customers	–	–	37	37
Leasing and rental contracts	32	39	23	94
Miscellaneous other financial obligations	183	289	104	576
Total	1,918	773	164	2,855
Dec. 31, 2020				
Purchase commitments in respect of				
Property, plant and equipment	404	124	–	528
Intangible assets	908	91	–	999
Obligations from				
irrevocable credit commitments to customers	–	–	–	–
Leasing and rental contracts	43	28	8	79
Miscellaneous other financial obligations	212	116	17	345
Total	1,567	359	25	1,951

[38] LITIGATION

In the course of their operating activities, Porsche AG and the companies in which it holds direct or indirect interests are involved in a large number of legal disputes and official proceedings, both in Germany and abroad. Among others, these legal disputes and proceedings relate to or are connected with employees, authorities, services, dealers, investors, customers, products or other contractual partners. They may lead to payments such as fines as well as other obligations and consequences for the companies involved. In particular, substantial compensation or punitive damages may have to be paid and cost-intensive measures may be necessary. It is often not possible, or only to a very limited extent to quantify the specific effects of an objective threat.

In addition, risks may arise in respect of compliance with regulatory requirements. This applies in particular to regulatory gray areas, where Porsche AG or the companies in which it holds direct or indirect interests may make interpretations that differ from those of the competent authorities. Legal risks may also arise due to the criminal actions of individuals, which even the best compliance management system can never fully rule out.

Where doing so was manageable and economically feasible, adequate insurance cover was taken out to cover these risks. For risks that could be identified and measured, appropriate provisions were recognized or disclosures on contingent liabilities were made based on present knowledge. Since some risks cannot be assessed, or only to a

limited extent, it cannot be ruled out that significant losses or damage may arise in an amount not covered by the insurance or provisions. This applies in particular to the assessment of legal risks arising from the diesel issue.

DIESEL ISSUE

On November 2, 2015, the United States Environmental Protection Agency (EPA) issued a notice of violation of the Clean Air Act to Volkswagen AG, Audi AG, Volkswagen Group of America, Inc., Porsche AG and Porsche Cars North America, Inc.

The notice alleges that certain 3.0 liter V6 Volkswagen group diesel engines are in contravention of the applicable emissions certification standards.

Porsche AG has decided to voluntarily halt sales of the roughly 11,500 3.0 liter V6 US diesel engines affected by the notice of violation pending a decision and recertification by the US authorities.

On January 4, 2016, the US Department of Justice filed a complaint at the request of the EPA against the above companies, among others. In addition, class actions were filed by customers, dealers and investors and proceedings were initiated by further authorities and institutions (including the Department of Justice (civil and criminal), state attorney generals, the Federal Trade Commission and the Customs and Border Protection Agency) over the course of 2016. Porsche AG cooperated with all of the parties involved to clarify the matter.

On January 11, 2017, the US Department of Justice published the agreement with the Volkswagen group, including Porsche AG. The agreement with Porsche AG is limited to civil penalties. Volkswagen AG has signed a hold harmless agreement for the fines. The Porsche AG group will not be supervised by an external monitor. The organizational and process requirements have already been largely addressed in the Porsche remediation plan. On May 11, 2017, the agreement of January 2017 was confirmed by the courts. On October 23, 2017, the US authorities approved the software update submitted for review by the Volkswagen group relating to emissions compliant repair (ECR) for around 38,000 US vehicles with 3.0 liter V6 TDI generation 2.1 and 2.2 engines. The recall of the approximately 11,500 US Cayenne V6 diesel vehicles began in November 2017. The requisite software update was successfully rolled out in fiscal year 2018. The recall quota specified in the agreement with the US authorities was thus exceeded.

Audi AG has indemnified Porsche AG against the costs of legal risks, litigation, product liability complaints or other third-party complaints relating to the 2013–2016 Porsche Cayennes affected in North America and it was agreed to not plea the statute of limitations until July 31, 2023. Consequently, from today's perspective, it is not expected that the Porsche AG group will be subject to any significant outflow of resources in this regard.

Accordingly, no receivables were recognized for other costs incurred in connection with the diesel issue in North America for which Audi AG has signed a hold harmless agreement as an outflow of resources is not virtually certain. It was agreed to not plea the statute of limitations until July 31, 2023.

For the legal proceedings outside of the US and Canada in connection with the diesel issue, Porsche AG expects - based on previous agreements and accounting practice - that the costs incurred in this connection for legal risks and litigation costs will be borne by Audi AG and will pass the costs on to the latter. No extensive provisions will be recognized for future expected outflows of resources.

In July 2017, the public prosecutor's office in Stuttgart instigated a criminal investigation into the diesel issue against one Executive Board member as well as a total of six employees or former employees of Porsche AG on

suspicion of fraud and false advertising. On January 21, 2019, the public prosecutor's office in Stuttgart instigated administrative fine proceedings pursuant to sections 30 and 130 of the German Act on Breaches of Administrative Regulations (Ordnungswidrigkeitengesetz – OWiG). The administrative offense proceedings initiated against Porsche AG in connection with the diesel issue ended with the fine notice issued by the public prosecutor's office in Stuttgart on May 7, 2019. The fine notice is based on a negligent breach of supervisory duty in the organizational unit Prüffeld Entwicklung Gesamtfahrzeug/Qualität (Overall Vehicle Development/Quality – Testing Facility) or its respective successor organization. The fine notice imposes a total fine of €535 million, comprising a penalty payment of €4 million and the forfeiture of economic benefits amounting to €531 million. After a thorough review, Porsche AG did not appeal the penalty payment, rendering the fine notice legally binding. The fine has been paid in full, thus ending the administrative offense proceedings against Porsche AG. As a consequence, it is highly unlikely that any further penalties or forfeitures will be imposed on Porsche AG in Europe in connection with the uniform circumstances underlying the fine notice.

Furthermore, a number of administrative investigations and proceedings are pending around the world against Porsche AG and its subsidiaries as well as against its executive directors with regard to the diesel issue.

At the end of March 2021, the supervisory board of Volkswagen AG announced the completion of the investigation initiated in October 2015 into the causes of and those responsible for the diesel issue. The board resolved to claim damages from Prof. Dr. Martin Winterkorn, former chair of the board of management of Volkswagen AG, and from Rupert Stadler, former member of the board of management of Volkswagen AG and former chair of the board of management of Audi AG, for breach of their duty of care under stock corporation law. The resolution was based on identified negligent breaches of duty. The investigation found no breaches of duty by other members of the Volkswagen AG board of management. The investigation covered all members of the board of management who were in office during the relevant period. In June 2021, agreements on damage payments were reached in this connection with the goal of achieving speedy, legally certain, and final resolution of the diesel issue as far as the civil liability of members of governing bodies is concerned. To this end, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Dr. Winterkorn and Mr. Stadler respectively in connection with the diesel issue. The Volkswagen AG group has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement). In addition, agreement was reached on damage payments by a former member of Audi AG's board of management and the former member of Porsche AG's executive board, Mr. Wolfgang Hatz (liability settlement). As a result of this liability settlement as well as the coverage settlement, Porsche AG recognized other operating income of €30 million.

OTHER LITIGATION

On August 4, 2017, the Tax Office Stuttgart II – criminal and administrative fines division – instigated administrative fine proceedings against Porsche AG and several current and former members of the Executive Board of Porsche AG. By fine notice issued by the public prosecutor's office in Stuttgart on July 6, 2021, a corporate fine of €40 million was issued to Porsche AG, which was paid in full in the fiscal year. The ruling relates to the allegation of a negligent breach of Supervisory Board duties by unspecified leaders in connection with the tax return obligations of Porsche AG for the years 2009 to 2016. Porsche AG accepted the fine notice and waived its right to appeal. The administrative fine proceedings instigated against current and former members of the Executive Board were discontinued without sanction. The same applies for the investigation of the public prosecutor's office in Stuttgart on account of suspected tax evasion and embezzlement charges against the current and former Executive Board members concerned (discontinuation order of July 6, 2021).

As part of its antitrust investigations in the automotive industry, in April 2019 the European Commission sent a statement of objections to Porsche AG and other German car manufacturers informing the parties of its preliminary assessment of the matter and giving them the opportunity to make a statement. Following entry into a formal settlement procedure, on July 8, 2021 the EU Commission issued a notice imposing a fine of €502 million on the three brands of the Volkswagen group concerned (Volkswagen AG, Audi AG, Porsche AG), for which they are jointly and severally liable. There was no recourse against Porsche AG by Volkswagen AG. The subject matter of the European Commission's decision regarding the fine is the cooperation between car manufacturers regarding the development of technology to purify emissions of diesel passenger cars fitted with SCR systems that were sold in the European Economic Area. The Volkswagen group accepted the fine decision of the EU Commission and has not appealed, thus rendering the decision legally binding.

The Korean antitrust authorities KFTC is analyzing potential breaches based on the EU subject matter. The final report of the case handler responsible at KFTC was issued in November 2021. Volkswagen AG, Audi AG and Porsche AG will issue a response to this. The Turkish antitrust authorities, which have investigated similar matters, issued their final decision in January 2022 finding that there alleged anti-competitive behavior, but that it did not have an impact on Turkey, which is why no fines were imposed on the German car manufacturers. Volkswagen AG, Audi AG and Porsche AG are currently considering whether to appeal. The Chinese antitrust authorities have initiated proceedings against companies including Volkswagen AG, Audi AG and Porsche AG due to similar matters and issued requests for information.

In October 2021, the U.S. Court of Appeal confirmed the ruling of the U.S. District Court for the Northern District of California from October 2020 to reject the class action against Porsche AG and other companies of the Volkswagen group and rejected the plaintiffs' appeal. The plaintiffs had alleged that several car manufacturers had conspired to unlawfully increase vehicle prices in violation of US antitrust and consumer protection law. The plaintiffs have appealed against the rejection of their appeal. Lawsuits are also pending in Canada against several car manufacturers including Porsche AG and several of its Canadian subsidiaries as well as other Volkswagen group companies with similar allegations on behalf of putative classes of purchasers. Neither provisions nor contingent liabilities were recognized because the early stage of proceedings means that an assessment is currently still not possible. Porsche AG and its subsidiaries will also defend these claims in Canada should the plaintiffs actually take further action.

With regard to vehicles for various markets worldwide, Porsche AG has identified potential regulatory issues. On the one hand, potential issues regarding sport functionalities were determined. These issues further relate to questions of the reliability of specific hardware and software components that were used in typing measurements. In individual cases, there may also be deviations from the series status. Based on the information currently available, this is an historical matter. Based on the information available at the moment, current production is not affected. These issues are not related to the diesel issue. Porsche AG is cooperating with the responsible authorities, including the public prosecutor's office in Stuttgart, which has instigated a criminal investigation against twelve (former) employees at Porsche AG. Administrative fine proceedings were not instigated against the company in Germany. The internal investigations into this matter at Porsche AG are ongoing. To date, six different class actions relating to these issues have been filed in the US (and in Canada as well). According to the statement of claims, software and/or hardware allegedly used in the affected vehicles resulted in actual exhaust emissions and/or fuel consumption being higher than legally permitted. In January 2021, a consolidated complaint was filed combining the six filed class actions into one lawsuit. This will be handled by the US District Court for the Northern District of California. The six lawsuits were originally directed against Porsche AG and its US importer subsidiary, Volkswagen AG as well as Audi AG, although not every company is being sued in all of the cases at hand. In December 2021, a draft settlement comprising the relevant vehicles was negotiated with the plaintiffs' representatives. A corresponding provision was set up for the amount on which the draft settlement is based. The draft settlement

is subject, among other things, to court approval. Cooperation and talks with the relevant US authorities (EPA, CARB (California Air Resources Board), DOJ (United States Department of Justice)) are still ongoing.

Porsche AG is also investigating potential issues regarding conformity of production measurements. These issues are not related to the diesel issue. Porsche AG is cooperating with the relevant authorities, including the KBA and the public prosecutor's office in Stuttgart. However, based on the information available, no administrative fine proceedings have been instigated against the company. Internal investigations into this are ongoing.

In accordance with IAS 37.92, no further disclosures are made in respect of estimates of the financial impact or disclosures relating to uncertainties surrounding the amount or timing of provisions and contingent liabilities in connection with material litigation, so as not to prejudice the outcome of the proceedings or the company's interests.

[39] SUBSEQUENT EVENTS

There were no events of significance to the net assets, financial position and results of operations after the end of fiscal year 2021.

[40] REMUNERATION BASED ON PERFORMANCE SHARES (SHARE-BASED PAYMENT)

At the end of 2018, the Supervisory Board of Porsche AG resolved to adjust the Executive Board remuneration system. The new Executive Board remuneration system comprises fixed and variable components. The variable remuneration consists of a performance-related annual bonus with a one-year assessment period and a long-term incentive (LTI) in the form of a performance share plan with forward-looking three-year term (share-based payment).

In 2019, the group of persons eligible as performance share plan beneficiaries was expanded to include top managers. The first performance shares were granted to top managers at the beginning of 2019. At the end of 2019, the group of persons eligible as performance share plan beneficiaries was expanded to include all other managers. At the beginning of 2020, the members of management were granted remuneration based on performance shares for the first time.

The performance share plan for top management and the other beneficiaries works in essentially the same way as the performance share plan granted to members of the Executive Board. Upon introduction of the performance share plan, top managers were guaranteed a minimum bonus amount for the first three years based on the remuneration for 2018, while the Executive Board and all other beneficiaries received a guarantee for the first three years based on the remuneration for 2019.

PERFORMANCE SHARES

Under the performance share plan, each performance period lasts three years. For the members of the Executive Board and the top management, upon awarding the LTI the annual target amount under the LTI is converted into

performance shares on the basis of the initial reference price of Volkswagen preferred shares and is allocated to the respective beneficiary purely for calculation purposes.

The number of performance shares is allocated on the basis of a three-year, forward-looking performance period in line with the degree of target achievement for the annual earnings per Volkswagen preferred share. Settlement is effected in cash at the end of the performance period. The payment amount corresponds to the final number of determined performance shares multiplied by the closing reference price at the end of the term plus a dividend equivalent.

For all other beneficiaries, the amount paid out is determined by multiplying the target amount by the degree of target achievement for the annual earnings per Volkswagen preferred share and the ratio of the closing reference price at the end of the term plus a dividend equivalent and the initial reference price. Target achievement is based on a three-year performance period with one year of that period relating to future periods. In derogation of this, target achievement for 2020 will initially be based on a forward-looking performance of one year, and for 2021 on a two-year performance period with one year of that period relating to future periods.

For all beneficiaries, the payment amount under the performance share plan is capped at 200 per cent of the target amount; the payment amount is reduced by 20 per cent if the average ratio of capital expenditures or R&D to sales revenue in the automotive area of the group during the performance period is less than 5 per cent.

EXECUTIVE BOARD

		Dec. 31, 2021	Dec. 31, 2020
Total expense of the reporting period	€ million	7	9
Carrying amount of the obligation	€ million	7	9
Intrinsic value of the obligation	€ million	6	9
Fair value at grant date	€ million	5	4
Granted performance shares	Number	56,354	24,882
of which granted during the reporting period	Number	31,472	24,882

TOP-MANAGEMENT

		Dec. 31, 2021	Dec. 31, 2020
Total expense of the reporting period	€ million	5	6
Carrying amount of the obligation	€ million	5	7
Intrinsic value of the obligation	€ million	4	7
Fair value at grant date	€ million	4	4
Granted performance shares	Shares	82,146	50,855
of which granted during the reporting period	Shares	31,291	24,719

MEMBERS OF MANAGEMENT

In the fiscal year, all other beneficiaries were allocated a target amount, based on a target achievement of 100 per cent, of €63 million (prior year: €57 million). As of December 31, 2021, the total carrying amount of the obligation corresponding to the intrinsic value of the liabilities amounted to €83 million (prior year: €67 million). In the reporting period, a total expense of €83 million (prior year: €67 million) was recognized for this amount granted.

[41] RELATED PARTIES

In accordance with IAS 24, transactions with persons or entities that control or significantly influence Porsche AG or are controlled or significantly influenced by it must be disclosed.

As of the reporting date, Porsche AG was a subsidiary of Porsche Holding Stuttgart GmbH, Stuttgart. Since August 1, 2012, Porsche AG and its fully consolidated subsidiaries together with Porsche Holding Stuttgart GmbH have been included in the consolidated financial statements of Volkswagen AG based on the control concept.

There were receivables from and liabilities to Porsche Holding Stuttgart GmbH as of the reporting date (see notes [19] Other financial assets and [29] Other financial liabilities). Financial services rendered to that company led to interest income of €368 million (prior year: €367 million) while a services received of €0 million (prior year: €0 million) were recognized under interest expenses.

Even after the contribution of Porsche Holding Stuttgart GmbH to Volkswagen AG, the companies of the Porsche SE group are related parties due to the significant influence on Volkswagen AG.

Pursuant to the announcement from January 4, 2022, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft Niedersachsen mbH, Hanover, hold 20.00 per cent of the voting rights in Volkswagen AG on December 31, 2021. Furthermore, the annual general meeting of Volkswagen AG resolved on December 3, 2009 that the State of Lower Saxony may appoint two members of the Supervisory Board (right of appointment).

There were supply relationships with the Volkswagen group relating to the vehicle and parts business and from consulting and development services. They were billed on arm's length terms. As of July 1, 2010, Porsche Financial Services Great Britain Ltd. no longer handles the new leases with customers or dealership purchase financing. The new business was transferred to Volkswagen Financial Services (UK) Ltd. under a cooperation agreement. In this context, the Porsche AG group assumes certain residual value risks. Porsche Cars Great Britain Ltd. recognized provisions of €0 million (prior year: €2 million) for these residual value risks.

As part of the transfer of the operating business and, in turn, the transfer of Porsche Holding Stuttgart GmbH by Porsche SE to Volkswagen AG in fiscal year 2012, Porsche SE entered into the following agreements with Volkswagen AG and entities of the Porsche Holding Stuttgart GmbH group in particular:

- Porsche SE holds Porsche AG harmless from tax liabilities (plus interest) and for certain major losses.
- In addition, Porsche SE agreed under certain circumstances to hold Porsche AG and its legal predecessors harmless from tax burdens that go beyond the obligations from periods up until and including July 31, 2009 recognized at the level of these entities.
- Porsche SE agreed to hold Porsche AG and its subsidiaries harmless from obligations that go beyond the obligations from periods up until and including December 31, 2011 recognized at the level of these entities. It

was also agreed to allocate any subsequent VAT receivables and/or VAT liabilities arising from transactions up to December 31, 2009 between Porsche AG and Porsche SE to the entity concerned.

- Various conduct, cooperation and information duties were agreed between Porsche AG and Porsche SE.
- Volkswagen AG assumed responsibility for general financing for Porsche AG in the same way as it does for other subsidiaries of Volkswagen AG.

Pursuant to a consortium agreement, the Porsche and Piëch families have direct and indirect control, respectively, over Porsche SE. Therefore, relations with individuals and entities of the Porsche and Piëch families are subject to the disclosure requirements. There were no material supply relationships with the Porsche and Piëch families and their affiliated companies in the reporting period or the prior period.

In addition, Porsche AG group entities made the following material capital contributions in 2021:

- €174 million to Bugatti Rimac d.o.o., Brezje
- €40 million to Cellforce Group GmbH, Tübingen
- €11 million to Smart Press Shop GmbH & Co. KG, Stuttgart
- €6 million to Axel Springer Porsche GmbH & Co. KG, Berlin
- €4 million to MHP Americas, Inc., Atlanta / GA
- €3 million to serva GmbH, Stuttgart
- €2 million to Porsche Motorsport Asia-Pacific Ltd., Shanghai
- €2 million to FlexFactory GmbH, Stuttgart
- €0.6 million to Intelligent Energy System Services GmbH, Ludwigsburg

In the prior period, the following material capital contributions were made:

- €24 million to Porsche Financial Leasing Ltd., Shanghai
- €5 million to Smart Press Shop GmbH & Co. KG, Stuttgart
- €3 million to Axel Springer Porsche GmbH & Co. KG, Berlin
- €2 million to serva GmbH, Stuttgart
- €2 million to New Horizon GmbH, Berlin
- €1 million to Porsche Digital China Ltd., Shanghai
- €0.6 million to FlexFactory GmbH, Stuttgart
- €0.5 million to Porsche Digital España, S.L., Barcelona

In addition, Porsche AG acquired shares in the joint venture Bugatti International Holding S.à.r.l. of €46 million in December 2021.

In addition, Porsche AG received a capital contribution from Porsche Holding Stuttgart GmbH in 2021 in the amount of €471 million (see note **[24]**). In the prior period, this capital contribution amounted to €1,028 million.

As of the reporting date there were also loans to non-consolidated subsidiaries amounting to €89 million (prior year: €99 million), to associates amounting to €6 million (prior year: €1 million), to joint ventures amounting to €5 million (prior year: €1 million) and to Volkswagen AG group companies amounting to €2,348 million (prior year: €249 million).

The tables below do not include the dividend payments from the joint ventures and associates amounting to €0 million (prior year: €5 million).

Write-downs of €10 million (prior year: €15 million) were recognized in respect of the outstanding receivables from related parties. Expenses for this purpose in fiscal year 2021 amounted to €0 million (prior year: €7 million). Collateral in rem provided by Volkswagen AG group companies was recognized in the total amount of €0 million in 2021 (prior year: €0 million). The maximum credit risk for financial guarantees issued to joint ventures amounted to €73 million (prior year: €73 million).

Furthermore, the Porsche AG group acts as guarantor for non-consolidated subsidiaries for an amount of €1 million (prior year: €1 million). In addition, there were other obligations not recognized in the statement of financial position in 2021 to Volkswagen AG group companies amounting to €77 million (prior year: €110 million), to non-consolidated subsidiaries amounting to €1 million (prior year: €1 million), to joint ventures amounting to €0 million (prior year: €1 million) and to associates amounting to €121 million (prior year: €21 million).

The disclosure requirements under IAS 24 also extend to persons who have the power to exercise significant influence over the entity, i.e., who have the power to participate in the financial and operating policies of the entity, but do not control it, including close family members. In the reporting period, this related to the members of the Executive Board of Porsche AG and its Supervisory Board as well as their close family members. Supplies and services rendered and receivables from members of management bodies and the Supervisory Board only included services from the vehicle, parts and design business, and other services. The employee representatives appointed to the Supervisory Board continue to be entitled to a normal salary in accordance with their employment contracts. Where members of German works councils are concerned, the salary conforms to the requirements of the German Works Constitution Act (Betriebsverfassungsgesetz – BetrVG). Porsche AG has reviewed the total remuneration and currently assumes that it is appropriate, including for the representative of management.

The supplies and services received from Porsche SE contain amounts of €0 million (prior year: €0 million) incurred by Porsche AG group companies for services received in the area of key management personnel.

The benefits and compensation granted to the members of the Executive Board and of the Supervisory Board for their work as members of those bodies are presented after the list of interests and are not included in the following list of supplies and services rendered or received or the list of the receivables and liabilities.

Related parties:

€ million	Supplies and services rendered		Supplies and services received	
	2021	2020	2021	2020
Porsche and Piëch families	0	0	-	0
Porsche SE	2	2	0	0
State of Lower Saxony	0	-	-	-
Volkswagen AG – group ¹⁾	4,159	3,813	4,964	4,718
Porsche Holding Stuttgart GmbH	368	367	0	-
Non-consolidated entities ¹⁾	31	17	114	95
Joint ventures	2	1	17	1
Associates	6	1	106	87
Members of the Executive Board and the Supervisory Board Porsche AG	1	2	-	-
Members of the Executive Board and the Supervisory Board Volkswagen AG	-	0	-	-
	4,569	4,203	5,201	4,901

€ million	Receivables		Liabilities	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Porsche and Piëch families	0	-	-	-
Porsche SE	0	0	0	0
State of Lower Saxony ¹⁾	21	20	-	-
Volkswagen AG – group ¹⁾	6,822	5,347	2,078	904
Porsche Holding Stuttgart GmbH	10,246	9,961	2,444	2,465
Non-consolidated entities	128	114	81	74
Joint ventures	5	1	2	0
Associates	38	2	91	44
Members of the Executive Board and the Supervisory Board Porsche AG	0	-	-	0
Members of the Executive Board and the Supervisory Board Volkswagen AG	-	-	-	-
	17,260	15,445	4,696	3,487

¹⁾ The prior-year figures were adjusted.

List of interests held in Porsche AG subsidiaries not subject to full consolidation that are related parties within the meaning of IAS 24:

Name and domicile of the company	Interest held by the parent company
Non-consolidated subsidiaries	
Porsche Niederlassung Mannheim GmbH, Bietigheim-Bissingen	100.00
Datura Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	94.00
Manthey Racing GmbH, Meuspath	51.00
Manthey Servicezentrum GmbH, Meuspath	100.00
Ferry-Porsche-Stiftung, Stuttgart	0.00
Cetitec GmbH, Pforzheim	75.00
Dastera Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	94.00
Initium GmbH, Berlin	100.00
serva GmbH, Stuttgart	100.00
Cellforce Group GmbH, Tübingen	72.72
Porsche Digital, Inc., Atlanta / GA	100.00
Porsche Design Studio North America, Inc., Beverly Hills / CA	100.00
Porsche Design Great Britain Ltd., Reading	100.00
Porsche Design Italia S.r.l., Padua	100.00
Porsche Consulting Ltda., São Paulo	100.00
Shanghai Advanced Automobile Technical Centre Co., Ltd., Shanghai	100.00
MHP Americas Inc., Atlanta / GA	100.00
Porsche Services Singapore Pte Ltd., Singapore	100.00
Nardò Technical Center S.r.l., Santa Chiara di Nardò	100.00
Porsche Design Asia Hong Kong Ltd., Hongkong	100.00
Porsche Services Middle East & Africa FZE, Dubai	100.00
MHP (Shanghai) Management Consultancy Co., Ltd., Shanghai	100.00
Porsche Design Sales (Shanghai) Co., Ltd., Shanghai	100.00
Porsche Engineering Romania S.R.L., Cluj-Napoca	100.00
MHP Consulting UK Ltd., Birmingham	100.00
AFN Ltd., Reading	100.00
MHP Consulting Romania S.R.L., Cluj-Napoca	100.00
Porsche Design Netherlands B.V., Roermond	100.00
Porsche Design Timepieces AG, Solothurn	100.00
Porsche Engineering (Shanghai) Co., Ltd., Shanghai	100.00
Porsche Smart Mobility Canada, Ltd., Toronto / ON	100.00
Porsche Werkzeugbau s.r.o., Dubnica nad Váhom	100.00
Porsche Consulting Canada Ltd., Toronto / ON	100.00
Cetitec USA Inc., Dover / DE	100.00
Cetitec d.o.o., Cakovec	100.00
Porsche Consulting S.A.S., Asnières-sur-Seine	100.00
Porsche Digital España, S.L., Barcelona	100.00
Porsche Digital China Ltd., Shanghai	100.00
Porsche Digital Croatia d.o.o., Zagreb	50.00
Porsche Drive Canada, Ltd., Toronto / ON	100.00
Porsche Drive LLC, Atlanta / GA	100.00
Porsche Motorsport Asia-Pacific Ltd., Shanghai	100.00

List of interests held in Porsche AG group joint ventures and associates that are related parties within the meaning of IAS 24:

Name and domicile of the company	Interest held by the parent company
Joint ventures	
IONITY Holding GmbH & Co. KG, Munich	20.00
PDB-Partnership for Dummy Technology and Biomechanics GbR, Gaimersheim	20.00
Axel Springer Porsche GmbH & Co. KG, Berlin	50.00
Axel Springer Porsche Management GmbH, Berlin	50.00
Smart Press Shop Verwaltungs-GmbH, Stuttgart	50.00
Smart Press Shop GmbH & Co. KG, Stuttgart	50.00
FlexFactory GmbH, Stuttgart	50.00
Intelligent Energy System Services GmbH, Ludwigsburg	50.00
Material Science Center Qatar QSTP-LLC, in Liquidation, Doha	25.00
Bugatti International Holding S.à r.l., Luxembourg	49.00
Associates	
Bertrandt AG, Ehningen	29.10
The Business Romantic Society Verwaltungs GmbH, Berlin	5.14
Fanzone Media GmbH, Berlin	4.99
&Charge GmbH, Frankfurt am Main	21.65
New Horizon GmbH, Berlin	16.92
Bugatti Rimac d.o.o., Brezje	45.00
Rimac Automobili d.o.o., Sveta Nedelja	21.96
Greyp bikes d.o.o., Sveta Nedelja	50.52
Stellar Telecommunications S.A.S., Meudon	20.00

In addition, the following benefits and compensation granted to the members of the Executive Board and of the Supervisory Board of Porsche AG have been recognized as expenses for their work as members of those bodies at Porsche AG:

€ million	2021	2020
Short-term employee benefits	16.6	11.9
Benefits based on performance shares	6.6	8.8
Post-employment benefits	3.4	2.6
	26.6	23.3

There were balances outstanding at the end of the period including obligations for short-term and long-term benefits including post-employment benefits as well as for the fair values of the performance shares granted to the Executive Board members amounting to €65.1 million (prior year (adjusted): €67.9 million). The post-employment benefits concern the additions to pension provisions for service cost relating to active Executive Board members. The chair of the Executive Board of Porsche AG, who is also on the Volkswagen group board of management, was remunerated exclusively by Volkswagen AG in the fiscal year.

[42] PERSONNEL EXPENSES

€ million	2021	2020
Wages and salaries	3,566	3,356
Social security contributions, pension and other benefit costs	912	874
	4,478	4,230
Employees (annual average)¹⁾		
Performance-related wage earners	9,355	9,000
Salaried staff	26,471	26,263
Trainees	693	756
	36,519	36,019

¹⁾ The figures reflect the number of employees including employees in the leave phase of their phased retirement arrangement. Performance-related wage earners include all employees working in production at Porsche AG and Porsche Leipzig GmbH.

[43] GOVERNMENT GRANTS

Government grants of €33 million (prior year: €38 million) were deducted from the cost of property, plant and equipment. It is assumed that all the conditions associated with the grant have been met.

Profit-related government grants in the fiscal year amounted to €53 million (prior year: €72 million).

Stuttgart, February 21, 2022

Dr. Ing. h.c. F. Porsche Aktiengesellschaft

The Executive Board

Dr. Oliver Blume,
Chairman

Lutz Meschke,
Deputy Chairman

Andreas Haffner

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