

**Audited Consolidated Financial Statements of the Company  
as of and for the year ended December 31, 2020, prepared in  
accordance with IFRS**

# Consolidated Income Statement

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

€ million	Note	2020	2019
<b>Sales revenue</b>	[1]	<b>28,695</b>	<b>28,518</b>
Cost of sales	[2]	- 21,598	- 21,256
<b>Gross profit</b>		<b>7,097</b>	<b>7,262</b>
Distribution expenses	[3]	- 1,881	- 2,044
Administrative expenses	[4]	- 1,095	- 1,029
Other operating income	[5]	953	846
Other operating expenses	[6]	- 897	- 1,173
<b>Operating profit</b>		<b>4,177</b>	<b>3,862</b>
Share of profit or loss of equity-accounted investments	[7]	- 10	- 1
Interest income	[8]	406	416
Interest expenses	[8]	- 129	- 148
Other financial result	[9]	- 47	- 75
<b>Financial result</b>		<b>220</b>	<b>192</b>
<b>Profit before tax</b>		<b>4,397</b>	<b>4,054</b>
Income tax income/expense	[10]	- 1,231	- 1,253
Current		- 998	- 1,268
Deferred		- 233	15
<b>Profit after tax</b>		<b>3,166</b>	<b>2,801</b>
thereof profit attributable to shareholders	[24]	3,162	2,796
thereof profit attributable to non-controlling interests	[11]	4	5
Profit transferred to Porsche Holding Stuttgart GmbH	[24]	- 1,860	- 1,798

# 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
<b>2020</b>			
<b>Profit after tax</b>	<b>3,166</b>	<b>3,162</b>	<b>4</b>
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	-
<b>Items that will not be reclassified to profit or loss</b>	<b>9</b>	<b>9</b>	<b>-</b>
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	-
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>458</b>	<b>458</b>	<b>- 0</b>
Other comprehensive income, before tax	802	802	- 0
Deferred taxes relating to other comprehensive income	- 335	- 335	- 0
<b>Other comprehensive income, net of tax</b>	<b>467</b>	<b>467</b>	<b>- 0</b>
<b>Total comprehensive income</b>	<b>3,633</b>	<b>3,629</b>	<b>4</b>

# Consolidated Statement of Comprehensive Income

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft for the period from January 1 to December 31, 2019

€ million	Total	Attributable to shareholders	Attributable to non-controlling interests
<b>2019</b>			
<b>Profit after tax</b>	<b>2,801</b>	<b>2,796</b>	<b>5</b>
Pension plan remeasurements recognized in other comprehensive income			
Pension plan remeasurements recognized in other comprehensive income, before tax	- 1,230	- 1,230	-
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	364	364	-
Pension plan remeasurements recognized in other comprehensive income, net of tax	- 866	- 866	-
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	-	-	-
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	- 0	0	-
<b>Items that will not be reclassified to profit or loss</b>	<b>- 866</b>	<b>- 866</b>	<b>-</b>
Foreign exchange differences			
Unrealized currency translation gains/losses	92	92	0
Transferred to profit or loss	-	-	-
Exchange differences on translating foreign operations, before tax	92	92	0
Deferred taxes relating to exchange differences on translating foreign operations	-	-	-
Exchange differences on translating foreign operations, net of tax	92	92	0
Hedging			
Fair value changes recognized in other comprehensive income (OCI I)	- 397	- 397	-
Transferred to profit or loss (OCI I)	- 76	- 76	-
Cash flow hedges (OCI I), before tax	- 473	- 473	-
Deferred taxes relating to cash flow hedges (OCI I)	141	141	-
Cash flow hedges (OCI I), net of tax	- 332	- 332	-
Fair value changes recognized in other comprehensive income (OCI II)	- 680	- 680	-
Transferred to profit or loss (OCI II)	401	401	-
Cash flow hedges (OCI II), before tax	- 279	- 279	-
Deferred taxes relating to cash flow hedges (OCI II)	83	83	-
Cash flow hedges (OCI II), net of tax	- 196	- 196	-
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	-
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>- 436</b>	<b>- 436</b>	<b>0</b>
Other comprehensive income, before tax	- 1,890	- 1,890	0
Deferred taxes relating to other comprehensive income	588	588	-
<b>Other comprehensive income, net of tax</b>	<b>- 1,302</b>	<b>- 1,302</b>	<b>0</b>
<b>Total comprehensive income</b>	<b>1,499</b>	<b>1,494</b>	<b>5</b>

Equity is explained in note [24].

# Consolidated Statement of Financial Position

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft as of December 31, 2020

€ million	Note	Dec. 31, 2020	Dec. 31, 2019
<b>Assets</b>			
Intangible assets	[12]	5,437	5,085
Property, plant and equipment	[13] [33]	8,695	8,624
Leased assets	[15] [33]	3,614	3,829
Equity-accounted investments	[14]	167	298
Other equity investments	[14]	217	146
Financial services receivables	[18]	2,414	1,841
Other financial assets	[19]	8,870	8,350
Other receivables	[20]	164	179
Deferred tax assets	[10] [21]	817	1,355
<b>Non-current assets</b>		<b>30,395</b>	<b>29,707</b>
Inventories	[16]	4,108	4,013
Trade receivables	[17]	1,081	842
Financial services receivables	[18]	1,122	842
Other financial assets	[19]	2,761	2,415
Other receivables	[20]	606	490
Tax receivables	[21]	163	95
Securities	[22]	755	451
Cash, cash equivalents and time deposits	[23]	4,500	3,511
<b>Current assets</b>		<b>15,096</b>	<b>12,659</b>
		<b>45,491</b>	<b>42,366</b>
<b>Equity and Liabilities</b>			
Subscribed capital	[24]	45	45
Capital reserves	[24]	13,754	12,726
Retained earnings	[24]	6,302	4,991
Other reserves	[24]	118	- 339
<b>Equity before non-controlling interests</b>	[24]	<b>20,219</b>	<b>17,423</b>
Non-controlling interests	[24]	5	5
<b>Equity</b>		<b>20,224</b>	<b>17,428</b>
Provisions for pensions and similar obligations	[25]	5,932	5,438
Other provisions	[26]	939	996
Deferred tax liabilities	[10] [31]	685	681
Financial liabilities	[27]	5,668	5,375
Other financial liabilities	[29]	285	657
Other liabilities	[30]	473	492
<b>Non-current liabilities</b>		<b>13,982</b>	<b>13,639</b>
Provisions for taxes	[31]	111	129
Other provisions	[26]	1,849	2,118
Financial liabilities	[27]	2,657	2,239
Trade payables	[28]	2,335	2,582
Other financial liabilities	[29]	2,959	3,082
Other liabilities	[30]	1,331	1,077
Tax payables	[31]	43	72
<b>Current liabilities</b>		<b>11,285</b>	<b>11,299</b>
		<b>45,491</b>	<b>42,366</b>

# Consolidated Statement of Cash Flows

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

€ million	2020	2019
<b>Cash and cash equivalents at beginning of period</b>	<b>3,174</b>	<b>2,635</b>
Profit before tax	4,397	4,054
Income taxes paid	- 837	- 1,310
Depreciation, amortization and impairment losses	3,357	3,044
Gain/loss on disposal of non-current assets	49	10
Share of profit or loss of equity-accounted investments	15	7
Other non-cash expense/income	- 13	- 127
Change in inventories	- 223	- 86
Change in receivables (excluding financial services)	- 734	- 372
Change in liabilities (excluding financial liabilities)	- 134	- 456
Change in pension provisions	493	417
Change in other provisions	- 299	378
Change in leased assets	- 945	- 807
Change in financial services receivables	- 987	- 266
<b>Cash flows from operating activities</b>	<b>4,140</b>	<b>4,486</b>
Investments in intangible assets (excluding capitalized development costs), and property, plant and equipment	- 1,547	- 2,044
Additions to capitalized development costs	- 1,225	- 949
Change in equity investments	- 46	- 65
Cash received from disposal of intangible assets and property, plant and equipment	48	13
Change in investments in securities	- 300	- 146
Change in loans and time deposits	51	- 427
<b>Cash flows from investing activities</b>	<b>- 3,019</b>	<b>- 3,617</b>
Capital contributions	1,028	1,273
Profit transfer and dividends	- 1,802	- 2,294
Capital transactions with non-controlling interest	-	- 19
Proceeds from issuance of bonds	3,222	2,410
Repayment of bonds	- 2,550	- 2,369
Change in other financial liabilities	282	723
Repayments of lease liabilities	- 102	- 77
<b>Cash flows from financing activities</b>	<b>78</b>	<b>- 353</b>
Effect of exchange rate changes on cash and cash equivalents	- 29	23
<b>Net change in cash and cash equivalents</b>	<b>1,199</b>	<b>516</b>
<b>Cash and cash equivalents at end of period</b>	<b>4,344</b>	<b>3,174</b>
Cash and cash equivalents at end of period	4,344	3,174
Securities, loans and time deposits	1,518	1,360
<b>Gross liquidity</b>	<b>5,862</b>	<b>4,534</b>

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, 2020

€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation
<b>Balance at Jan. 1, 2019</b>	<b>45</b>	<b>11,453</b>	<b>4,876</b>	<b>75</b>
Profit after tax	–	–	2,796	–
Other comprehensive income, net of tax	–	–	– 866	92
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>1,930</b>	<b>92</b>
Disposal of equity instruments	–	–	–	–
Capital contribution	–	1,273	–	–
Profit transfer and dividends payment	–	–	– 1,798	–
Capital transactions involving a change in ownership interest	–	–	– 17	–
Other changes	–	–	–	–
<b>Balance at Dec. 31, 2019</b>	<b>45</b>	<b>12,726</b>	<b>4,991</b>	<b>167</b>
<b>Balance at Jan. 1, 2020</b>	<b>45</b>	<b>12,726</b>	<b>4,991</b>	<b>167</b>
Profit after tax	–	–	3,162	–
Other comprehensive income, net of tax	–	–	10	– 340
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>3,172</b>	<b>– 340</b>
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	–
<b>Balance at Dec. 31, 2020</b>	<b>45</b>	<b>13,754</b>	<b>6,302</b>	<b>– 173</b>

Other reserves						
Hedging		Equity and debt instruments	Equity-accounted investments	Non-controlling interests	Total equity	
Cash flow hedges (OCI I)	Deferred costs of hedging (OCI II)					
313	- 291	-	0	6	16,477	
-	-	-	-	5	2,801	
- 332	- 196	-	0	0	- 1,302	
<b>- 332</b>	<b>- 196</b>	<b>-</b>	<b>0</b>	<b>5</b>	<b>1,499</b>	
-	-	-	-	-	-	
-	-	-	-	-	1,273	
-	-	-	-	- 4	- 1,802	
-	-	-	-	- 2	- 19	
-	-	-	-	-	-	
<b>- 19</b>	<b>- 487</b>	<b>-</b>	<b>0</b>	<b>5</b>	<b>17,428</b>	
<b>- 19</b>	<b>- 487</b>	<b>-</b>	<b>0</b>	<b>5</b>	<b>17,428</b>	
-	-	-	-	4	3,166	
776	22	- 0	- 1	- 0	467	
<b>776</b>	<b>22</b>	<b>- 0</b>	<b>- 1</b>	<b>4</b>	<b>3,633</b>	
-	-	-	-	-	-	
-	-	-	-	-	1,028	
-	-	-	-	- 4	- 1,864	
-	-	-	-	-	-	
-	-	-	-	-	- 1	
<b>757</b>	<b>- 465</b>	<b>- 0</b>	<b>- 1</b>	<b>5</b>	<b>20,224</b>	

Equity is explained in note [24].



# Notes of the Consolidated Financial Statements

of Dr. Ing. h.c. F. Porsche Aktiengesellschaft as of December 31, 2020

## **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, 2020 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 requirements of the standards and interpretations applied were satisfied in full.

The reporting period of the Porsche AG group (Porsche AG and its subsidiaries) covers the period from January 1 to December 31, 2020 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.

The Covid-19 pandemic had a negative impact on the net assets, financial position and results of operations of the Porsche AG group in fiscal year 2020 as a result of a global decline in demand caused, among other things, by

government-imposed restrictions on motor vehicle trading as well as temporary interruptions in production. As the Covid-19 pandemic has still not been overcome at the beginning of 2021, the net assets, financial position and results of operations are expected to be impacted again in 2021.

In preparing the consolidated financial statements as of December 31, 2020, the effects of the Covid-19 pandemic had to be analyzed in the following areas in particular:

- The impairment testing of non-financial assets, specifically partially capitalized development costs, property, plant and equipment and equity-accounted investments, was performed taking into account planning influenced by the Covid-19 pandemic. There were no significant impairment losses with the exception of the investment in Bertrandt AG accounted for using the equity method.
- The testing of leased assets for impairment did not reveal any material effects of the Covid-19 pandemic on the residual value forecasts for vehicles.
- The testing of financial assets for impairment taking into account adjusted expected losses did not reveal any additional significant impairment.
- Review of the effects of shifts in the timing and amount of hedged items caused by the Covid-19 pandemic on hedge accounting and effectiveness. There were no significant effects with an impact on earnings.

Preparing the consolidated financial statements in accordance with the above standards requires assumptions to be made regarding some items, which affect the amounts recognized 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 10, 2021 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:

	2020	2019
<b>Parent company and consolidated subsidiaries including special security funds</b>		
Germany	29	27
Other countries	84	83
	<b>113</b>	110
<b>Subsidiaries carried at cost</b>		
Germany	10	10
Other countries	31	28
	<b>41</b>	38
<b>Associates, joint ventures and other equity investments</b>		
Germany	16	12
Other countries	20	12
	<b>36</b>	24
	<b>190</b>	<b>172</b>

The German companies Porsche Digital GmbH, Ludwigsburg, and Porsche Investments GmbH, Stuttgart, as well as the foreign companies Porsche Financial Services Korea LLC, Seoul, PGEAR LLC, Atlanta, GA, and PSHIFT LLC, Atlanta, GA, have been consolidated for the first time in the reporting period. The foreign companies Porsche Consulting Ltda., São Paulo, and Porsche Services Middle East & Africa FZE, Dubai, were deconsolidated in the reporting period.

As a result of consolidating the two German companies and the three foreign companies for the first time as well as deconsolidating the two foreign companies, the group of fully consolidated subsidiaries increased by three companies. 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, 2020, the shares in Bertrandt had a quoted value of €116 million (prior year: €165 million).

IONITY Holding GmbH & Co. KG develops and markets a network of fast-charging stations for electric vehicles in Europe. This is a joint venture in which Porsche, Daimler, BMW, Ford and since 2020 Kia/Hyundai have a stake. This resulted in a voting share of the Porsche AG group of 20 per cent (prior year: 25 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. The contribution was increased by €20 million in the prior year.

From the perspective of the Porsche AG group, its associate Bertrandt AG, Ehningen, and joint venture Ionity Holding GmbH & Co. KG, Munich, are material as of the reporting date.

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

€ million	Bertrand <sup>1)</sup>
<b>2020</b>	
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
<b>2019</b>	
Shareholding (in %)	29
Non-current assets	575
Current assets	468
Non-current liabilities	313
Current liabilities	153
Net assets	577
Sales revenue	1,058
Profit/loss from continuing operations after tax	16
Profit/loss from discontinued operations after tax	–
Other comprehensive income	– 1
Total comprehensive income	15
Dividends received	6

<sup>1)</sup> The disclosures for Bertrand's statement of financial position relate to the September 30, 2020 reporting date; the income statement disclosures for fiscal year 2020 relate to the period from October 1, 2019 to September 30, 2020, and those for fiscal year 2019 to the period from October 1, 2018 to September 30, 2019.

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

€ million	<b>Bertrandt</b>
<b>2020</b>	
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
<b>2019</b>	
<b>Net assets as of Jan. 1</b>	<b>583</b>
Profit/loss	16
Other comprehensive income	– 1
Change in reserves	–
Dividend	– 21
Net assets as of Dec. 31	577
Attributable share of net assets	167
Consolidation/goodwill/other	80
Carrying amount of the investment	247

There are no contingent liabilities to associates.

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

€ million	IONITY
<b>2020</b>	
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	–
<b>2019</b>	
Shareholding (in %)	25
Non-current assets	175
Current assets	71
thereof cash, cash equivalents and time deposits	50
Non-current liabilities	10
thereof financial liabilities	0
Current liabilities	30
thereof financial liabilities	–
Net assets	205
Sales revenue	1
Amortization and depreciation	–
Interest income	–
Interest expenses	– 1
Profit/loss before tax from continuing operations	– 29
Income tax expense	5
Profit/loss from continuing operations after tax	– 24
Profit/loss from discontinued operations after tax	–
Other comprehensive income	–
Total comprehensive income	– 24
Dividends received	–

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

€ million	IONITY
<b>2020</b>	
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
<b>2019</b>	
Net assets as of Jan. 1	148
Profit/loss	– 24
Other comprehensive income	–
Change in reserves	81
Foreign exchange differences	–
Dividend	–
Net assets as of Dec. 31	205
Attributable share of net assets	51
Consolidation/goodwill/other	–
Carrying amount of the investment	51

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 (revised 2008) 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 (revised 2008) 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.

Goodwill and adjustments to recognize assets and liabilities arising from business combinations at their fair value are expressed in the functional currency of the subsidiary.

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

		Closing rate		Average rate	
		Dec. 31, 2020	Dec. 31, 2019	2020	2019
Australia	AUD	<b>1.5861</b>	1.6008	<b>1.6553</b>	1.6107
Brazil	BRL	<b>6.3756</b>	4.5135	<b>5.8885</b>	4.4149
China	CNY	<b>8.0290</b>	7.8147	<b>7.8703</b>	7.7344
United Kingdom	GBP	<b>0.8993</b>	0.8500	<b>0.8890</b>	0.8774
Hong Kong	HKD	<b>9.5167</b>	8.7428	<b>8.8518</b>	8.7733
Japan	JPY	<b>126.5100</b>	121.8950	<b>121.7731</b>	122.0865
Canada	CAD	<b>1.5628</b>	1.4621	<b>1.5294</b>	1.4860
Republic of Korea	KRW	<b>1,336.2100</b>	1,296.3500	<b>1,345.1409</b>	1,304.8927
Russia	RUB	<b>91.7754</b>	69.8469	<b>82.6358</b>	72.4671
Switzerland	CHF	<b>1.0811</b>	1.0855	<b>1.0703</b>	1.1128
USA	USD	<b>1.2276</b>	1.1228	<b>1.1413</b>	1.1197

## 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 2020. 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 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 production using the straight-line method over the expected useful life of the product, taking any impairments into account. This is usually six years. Research and non-capitalizable development costs are expensed as incurred.

The amortization on 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:

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

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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 or sale.

## 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 5.7 per cent (prior year: 4.5 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. 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. Planning is based on expectations that global economic output will recover overall in 2021, provided a successful, lasting containment of the Covid-19 pandemic is achieved. Global economic growth is also expected to continue for the years 2022 to 2025. 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 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 8.1 per cent is applied for immaterial goodwill (prior year: 6.9 per cent)) and a weighted average cost of capital (WACC) of 5.3 per cent (prior year: 4.8 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

Future receivables from long-term construction contracts are recognized according to their percentage of completion. The percentage of completion to be recognized per contract is calculated by comparing the accumulated costs with 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 result of a construction contract cannot be determined reliably, income is only recognized at the amount of the contract costs incurred (zero profit method). If the total of accumulated contract costs and reported profits exceeds advance payments received, the construction contracts are recognized as an asset under other receivables as future receivables from long-term development contracts. 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 market price (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 principal 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.

## CASH, CASH EQUIVALENTS AND TIME DEPOSITS

The cash and cash equivalents include checks, cash on hand, bank balances, balances with affiliated companies and time deposits.

## 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).

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.

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.

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 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.

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

## 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 performance shares. The obligations under share-based payment are accounted for as cash-settled plans pursuant to IFRS 2. Until maturity, the cash-settled plans are measured at fair value 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. 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 -0.23 per cent (prior year: -0.10 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 are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. 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 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, 2020: €757 million (prior year: €626 million); carrying amount of capitalized development costs for products in

use as of December 31, 2020: €3,196 million (prior year: €3,880 million), carrying amount of property, plant and equipment subject to wear and tear excluding factory and office buildings on December 31, 2020: €3,534 million (prior year: €3,879 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, 2020: €940 million (prior year: €902 million)) and the lease liabilities (carrying amount of lease liabilities as of December 31, 2020: €964 million (prior year: €910 million)).

Determining the timing for the capitalization of development costs (carrying amount of the capitalized development costs as of December 31, 2020: €4,671 million (prior year: €4,450 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 using the equity method 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, 2020: €384 million (prior year: €444 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, 2020: €8,695 million (prior year: €8,624 million)) and leased assets (carrying amount of leased assets as of December 31, 2020: €3,614 million (prior year: €3,829 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 accounting policies in the "Impairment testing" section.

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 information on calculating loss allowances can be found in the notes to the statement of financial position in accordance with IFRS 7 (Financial Instruments note [25] and "Financial risk management and financial instruments").

The accounting treatment and measurement of provisions (carrying amount of provisions as of December 31, 2020: €8,832 million (prior year: €8,681 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, 2020: €5,932 million (prior year: €5,438 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, 2020: €2,788 million (prior year: €3,114 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 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. In the fiscal year, contractual changes reduced the provision by €347 million.

For an overview of other provisions and provisions for warranty obligations see note [26] and for litigation see also note [37].

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 because 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, 2020: €817 million (prior year: €1,355 million)) requires assumptions to be made concerning future taxable profit and the timing of the recoverability 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.

As a result of the global spread of the coronavirus SARS-COV-2, the associated restrictive measures and the resulting disruption of supply and demand, the global economy recorded negative growth of 4.0 per cent in 2020 (prior year: positive growth of 2.6 per cent).

The Volkswagen Group's planning is based on the assumption that global economic output will recover overall in 2021, provided a successful, lasting containment of the Covid-19 pandemic is achieved.

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 2020.

Effective January 1, 2020, amendments to the definition of a business in IFRS 3 (Business Combinations) came into force. According to the new definition, a business only exists when a group of activities and assets include, at a minimum, an input and a substantive process that together significantly contribute to creating outputs. At the same time, the term output has been narrowed to goods and services for customers as well as investment income. It no longer includes the ability to reduce costs. Furthermore, it introduces an optional concentration test which can be used to rule out that a business has been acquired.

Furthermore, amendments to IFRS 16 entered into effect on June 1, 2020. These amendments exempt lessees from having to assess whether a rent concession in connection with the Covid-19 pandemic with regard to lease payments that would have originally fallen due by June 30, 2021 is a lease modification and allows the rent concession to instead be recognized as if it were not a lease modification. The Porsche AG group has elected not to exercise this option.

Furthermore, amendments to IFRS 9, IAS 39 as well as IFRS 7 (Interest Rate Benchmark Reform - Phase 1) have been mandatory since January 1, 2020. In the prior year, the Porsche AG group had voluntarily elected to early adopt these amendments to the standards. They affect hedges that were in place as of the beginning of the reporting period or that were subsequently designated as such. In application of the associated practical expedient, the Porsche AG group assumes that the effectiveness of designated hedges will not be adversely impacted by the IBOR reform, and consequently there is no need to terminate any hedges.

In addition, amendments to IAS 1 and IAS 8 came into force effective January 1, 2020 which clarify and standardize the term "material".

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 2020 consolidated financial statements, Porsche AG did not apply the following accounting standards that have already been issued by the IASB but for which application was not yet mandatory for the fiscal year.

Standard/Interpretation		Published by the IASB	Application obligation <sup>1)</sup>	Acceptance by EU	Expected effect
IFRS 3	Updating References to the Conceptual Framework	May 14, 2020	January 1, 2022	No	No material effects
IFRS 4	Insurance Contracts – Extension of Temporary Exemption from IFRS 9	June 25, 2020	January 1, 2021	Yes	No effects
IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39	Interest Rate Benchmark Reform (Phase 2)	August 27, 2020	January 1, 2021	Yes	No material effects
IFRS 17	Insurance Contracts	May 18, 2017	January 1, 2023 <sup>2)</sup>	No	No material effects
IFRS 17	Insurance Contracts – Amendments to IFRS 17	June 25, 2020	January 1, 2023	No	No material effects
IAS 1	Classification of Liabilities	January 23, 2020	January 1, 2023	No	No material effects
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	May 14, 2020	January 1, 2022	No	No material effects
IAS 37	Provisions: Onerous contracts – costs of fulfilling a contract	May 14, 2020	January 1, 2022	No	No material effects
	Annual Improvements to IFRSs (2018-2020 cycle) <sup>3)</sup>	May 14, 2020	January 1, 2022	No	No material effects

<sup>1)</sup> 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.

<sup>2)</sup> On June 25, 2020, the IASB published amendments to IFRS 17 resulting, among other things, in the date of initial application being postponed to January 1, 2023.

<sup>3)</sup> Minor amendments to various IFRSs (IFRS 1, IFRS 9, IFRS 16 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	2020	2019
<b>Type of product</b>		
Vehicles	21,584	21,970
Genuine parts	1,534	1,528
Used vehicles and third-party products	1,056	957
Rental and leasing business	2,489	2,356
Interest and similar income from financial services business	208	196
Hedges sales revenue	- 285	- 289
Other revenue	2,109	1,800
	<b>28,695</b>	<b>28,518</b>

Other revenue contains insurance premiums from warranty insurance for used vehicles of €85 million (prior year: €76 million). Otherwise, other revenue mainly contains income from engine deliveries, consulting, development services and workshop services.

Of the sales revenue recognized in the reporting period, €456 million (prior year: €499 million) was included in contract liabilities as of January 1, 2020. 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, 2021, 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 2021.

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 €21,598 million (prior year: €21,256 million) and mainly comprised 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 €88 million (prior year: €103 million), impairment losses on leased assets amounting to €127 million (prior year: €117 million) and expenses for indemnification payments from warranty insurance for used vehicles amounting to €64 million (prior year: €51 million).

### [3] DISTRIBUTION EXPENSES

Distribution expenses of €1,881 million (prior year: €2,044 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 €1,095 million (prior year: €1,029 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	2020	2019
Income from reversal of valuation allowances on receivables and other assets	28	19
Income from reversal of provisions and accruals	64	100
Income from foreign currency hedging derivatives within hedge accounting	159	74
Income from other hedges	44	1
Income from foreign exchange gains	184	144
Income from cost allocations	174	216
Gains on asset disposals and the reversal of impairment losses	25	35
Miscellaneous other operating income	275	257
	<b>953</b>	<b>846</b>

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 primarily comprises rental and lease income, as well as recourse income.

## [6] OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

€ million	2020	2019
Valuation allowances on trade receivables	17	15
Valuation allowances on other receivables and other assets <sup>1)</sup>	58	41
Losses from foreign currency hedging derivatives within hedge accounting	128	123
Expenses from other hedges	52	8
Foreign exchange losses	281	146
Losses on disposal of non-current assets	55	22
Penalty notice prosecution Stuttgart (special factor diesel issue)	–	535
Miscellaneous other operating expenses	306	283
	<b>897</b>	<b>1,173</b>

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.

In the prior year, the administrative order from the public prosecutor's office in Stuttgart providing for a total fine of €535 million was recognized under other operating expenses. Further information can be found in note [37].

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 €10 million (prior year: negative €1 million). Of the total amount, negative €5 million (prior year: €5 million) relates to associates and negative €5 million (prior year: negative €6 million) to joint ventures.

## [8] INTEREST RESULT

€ million	2020	2019
<b>Interest income</b>	<b>406</b>	<b>416</b>
Other interest and similar income	406	416
<b>Interest expenses</b>	<b>- 129</b>	<b>- 148</b>
Other interest and similar expenses	- 38	- 23
Interest cost included in lease payments	- 29	- 29
Interest result on other liabilities	- 2	- 21
Net interest on the net defined benefit liability	- 60	- 75
<b>Interest result</b>	<b>277</b>	<b>268</b>

In the reporting period, borrowing costs of €13 million (prior year: €10 million) were capitalized, which were attributable to capitalized development costs. A borrowing rate 1.4 per cent (prior year: 1.6 per cent) was assumed for this purpose.

## [9] OTHER FINANCIAL RESULT

€ million	2020	2019
Income from profit and loss transfer agreements	-	1
Cost of loss absorption	- 0	0
Other income from equity investments	1	7
Other expenses from equity investments	- 125	- 87
Income and expenses from securities and loans	- 17	12
Gains and losses from remeasurement and impairment of financial instruments	130	- 19
Gains and losses from fair value changes of derivatives not included in hedge accounting	- 36	11
<b>Other financial result</b>	<b>- 47</b>	<b>- 75</b>

The other expenses from equity investments include write-downs of €115 million on the equity-accounted investment in Bertrandt AG (prior year: €83 million).

## [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	2020	2019
Current tax expense, Germany	871	998
Current tax expense, other countries	127	270
Current tax expense	998	1,268
thereof relating to other periods	2	10
Deferred tax expense, Germany	154	– 35
Deferred tax income/expense, other countries	79	20
Deferred taxes	233	– 15
<b>Income tax income/expense</b>	<b>1,231</b>	<b>1,253</b>

The statutory corporate income tax rate for the 2020 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: 29.8 per cent). A tax rate of 30.0 per cent (prior year: 29.8 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: between 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 income (prior year: measurement income) in the reporting period of €0 million (prior year: €1 million).

The current tax expense was reduced by €6 million (prior year: €1 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 in the amount of €0 million (prior year: €0 million).

No reversals of impairments or impairments on deferred tax assets were recognized for temporary differences in the reporting year (prior year: €0 million).

Previously unused tax loss carryforwards for which no deferred tax assets were recognized amounted to €52 million (prior year: €38 million). Of that amount, €40 million (prior year: €23 million) may be used without time limit, €11 million (prior year: €11 million) after more than 10 years as well as €0 million (prior year: 4 million) within 10 years.

In addition, deferred tax totaling €30 million (prior year: €49 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 €242 million (prior year: €216 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	2020	2019
Profit before tax	4,397	4,054
Group tax rate in %	30.0	29.8
<b>Expected income tax expense</b>	<b>1,319</b>	<b>1,208</b>
Effects of different tax rates	- 37	- 21
Effects of loss carryforwards and tax credits	3	-
Tax-exempt income and non-deductible business expenses	54	88
Taxes relating to other periods	- 108	- 20
Effect of tax rate changes	3	- 1
Other differences	- 3	- 1
<b>Reported income tax expense</b>	<b>1,231</b>	<b>1,253</b>
<b>Effective tax rate in %</b>	<b>28.0</b>	<b>30.9</b>

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, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Intangible assets, property, plant and equipment and leased assets	37	45	2,394	2,273
Other equity investments	6	5	-	-
Inventories	23	24	14	15
Receivables and other assets (including financial services)	59	53	255	74
Securities	-	1	-	-
Unused tax losses and tax credits	30	49	-	-
Provisions for pensions and similar obligations	1,255	1,130	25	21
Liabilities and other provisions	1,263	1,536	44	22
<b>Gross value</b>	<b>2,673</b>	<b>2,843</b>	<b>2,732</b>	<b>2,405</b>
Offsetting	- 2,100	- 1,773	- 2,100	- 1,773
Consolidation	244	285	53	49
<b>Amount recognized in the consolidated statement of financial position</b>	<b>817</b>	<b>1,355</b>	<b>685</b>	<b>681</b>

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 €336 million (prior year: €969 million as an increase in equity) were recognized in the statement of financial position as a decrease 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 €4 million (prior year: €5 million).

# 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	2020	2019
Research and non-capitalized development costs	1,018	1,220
Amortization of development costs	972	923
<b>Research and development costs recognized in the income statement</b>	<b>1,990</b>	<b>2,143</b>
Investment in capitalized development costs	1,225	949
<b>Research and development costs (without amortization)</b>	<b>2,243</b>	<b>2,169</b>

Investment in capitalized development costs contains capitalized borrowing costs of €13 million (prior year: €10 million).

The carrying amount of goodwill in the Porsche AG group as of December 31, 2020 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
<b>Cost</b>					
Balance at Jan. 1, 2019	1,368	6,254	1,061	10	8,693
Foreign exchange differences	1	–	–	–	1
Changes in consolidated group	0	–	–	–	0
Additions	238	504	445	–	1,187
Transfers	10	936	– 936	–	10
Disposals	16	–	–	–	16
<b>Balance at Dec. 31, 2019</b>	<b>1,601</b>	<b>7,694</b>	<b>570</b>	<b>10</b>	<b>9,875</b>
<b>Amortization and impairment</b>					
Balance at Jan. 1, 2019	872	2,891	–	1	3,764
Foreign exchange differences	–	–	–	–	–
Changes in consolidated group	0	–	–	–	0
Additions	119	923	–	–	1,042
Transfers	– 8	–	–	–	– 8
Disposals	8	–	–	–	8
<b>Balance at Dec. 31, 2019</b>	<b>975</b>	<b>3,814</b>	<b>–</b>	<b>1</b>	<b>4,790</b>
<b>Cost</b>					
<b>Balance at Jan. 1, 2020</b>	<b>1,601</b>	<b>7,694</b>	<b>570</b>	<b>10</b>	<b>9,875</b>
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
<b>Balance at Dec. 31, 2020</b>	<b>1,921</b>	<b>7,982</b>	<b>1,475</b>	<b>10</b>	<b>11,388</b>
<b>Amortization and impairment</b>					
<b>Balance at Jan. 1, 2020</b>	<b>975</b>	<b>3,814</b>	<b>–</b>	<b>1</b>	<b>4,790</b>
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
<b>Balance at Dec. 31, 2020</b>	<b>1,164</b>	<b>4,786</b>	<b>–</b>	<b>1</b>	<b>5,951</b>
Net carrying amount as of Dec. 31, 2019	626	3,880	570	9	5,085
<b>Net carrying amount as of Dec. 31, 2020</b>	<b>757</b>	<b>3,196</b>	<b>1,475</b>	<b>9</b>	<b>5,437</b>

## [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
<b>Cost</b>					
Balance at Jan. 1, 2019	3,888	1,945	7,677	1,817	15,327
Foreign exchange differences	23	– 1	2	–	24
Changes in consolidated group	–	–	–	–	–
Additions	293	205	976	500	1,974
Transfers	631	382	366	– 1,389	– 10
Disposals	25	15	104	4	148
<b>Balance at Dec. 31, 2019</b>	<b>4,810</b>	<b>2,516</b>	<b>8,917</b>	<b>924</b>	<b>17,167</b>
<b>Depreciation and impairment</b>					
Balance at Jan. 1, 2019	803	1,175	5,590	0	7,568
Foreign exchange differences	3	–	2	–	5
Changes in consolidated group	–	–	–	–	–
Additions	194	214	668	–	1,076
Additions to cumulative impairment losses	–	–	–	–	–
Transfers	– 2	–	10	–	8
Disposals	9	12	93	–	114
<b>Balance at Dec. 31, 2019</b>	<b>989</b>	<b>1,377</b>	<b>6,177</b>	<b>0</b>	<b>8,543</b>
<b>Cost</b>					
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
<b>Balance at Dec. 31, 2020</b>	<b>5,333</b>	<b>2,550</b>	<b>8,861</b>	<b>1,011</b>	<b>17,755</b>
<b>Depreciation and impairment</b>					
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
<b>Balance at Dec. 31, 2020</b>	<b>1,183</b>	<b>1,410</b>	<b>6,467</b>	<b>0</b>	<b>9,060</b>
Net carrying amount as of Dec. 31, 2019	3,821	1,139	2,740	924	8,624
<b>Net carrying amount as of Dec. 31, 2020</b>	<b>4,150</b>	<b>1,140</b>	<b>2,394</b>	<b>1,011</b>	<b>8,695</b>

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

€ million	Investments	Other equity investments	Total
<b>Cost</b>			
Balance at Jan. 1, 2019	368	100	468
Foreign exchange differences	–	–	–
Changes in consolidated group	–	–	–
Additions	20	104	124
Changes recognized directly in equity	–	–	–
Changes recognized in profit or loss	– 1	–	– 1
Dividends	– 6	–	– 6
Disposals	–	52	52
<b>Balance at Dec. 31, 2019</b>	<b>381</b>	<b>152</b>	<b>533</b>
<b>Impairments</b>			
Balance at Jan. 1, 2019	–	2	2
Additions	83	4	87
<b>Balance at Dec. 31, 2019</b>	<b>83</b>	<b>6</b>	<b>89</b>
<b>Cost</b>			
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
Disposals	–	–	–
<b>Balance at Dec. 31, 2020</b>	<b>365</b>	<b>233</b>	<b>598</b>
<b>Impairments</b>			
Balance at Jan. 1, 2020	83	6	89
Changes in consolidated group	–	2	2
Additions	115	8	123
<b>Balance at Dec. 31, 2020</b>	<b>198</b>	<b>16</b>	<b>214</b>
<b>Net carrying amount as of Dec. 31, 2019</b>	<b>298</b>	<b>146</b>	<b>444</b>
<b>Net carrying amount as of Dec. 31, 2020</b>	<b>167</b>	<b>217</b>	<b>384</b>

The equity-accounted investments include associates amounting to €120 million (prior year: €247 million) and joint ventures amounting to €47 million (prior year: €51 million). Additions to equity-accounted investments amounted to €0 million in fiscal year 2020 (prior year: €20 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
<b>Cost</b>		
Balance at Jan. 1, 2019	5,288	29,776
Foreign exchange differences	121	146
Changes in consolidated group	–	–
Additions	2,117	5,402
Changes recognized in profit or loss	–	– 1
Transfers	–	–
Dividends	–	– 6
Disposals	2,049	2,265
<b>Balance at Dec. 31, 2019</b>	<b>5,477</b>	<b>33,052</b>
<b>Depreciation and impairment</b>		
Balance at Jan. 1, 2019	1,512	12,846
Foreign exchange differences	36	41
Changes in consolidated group	–	0
Additions	752	2,870
Additions to cumulative impairment losses	117	204
Disposals	739	861
Reversal of impairment losses	30	30
<b>Balance at Dec. 31, 2019</b>	<b>1,648</b>	<b>15,070</b>
<b>Cost</b>		
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
<b>Balance at Dec. 31, 2020</b>	<b>5,166</b>	<b>34,907</b>
<b>Depreciation and impairment</b>		
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
<b>Balance at Dec. 31, 2020</b>	<b>1,552</b>	<b>16,777</b>
<b>Net carrying amount as of Dec. 31, 2019</b>	<b>3,829</b>	<b>17,982</b>
<b>Net carrying amount as of Dec. 31, 2020</b>	<b>3,614</b>	<b>18,130</b>

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 2020 amounted to €127 million (prior year<sup>1)</sup>: €117 million).

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

1) Prior-year figures adjusted

## [16] INVENTORIES

Inventories break down as follows:

€ million	Dec. 31, 2020	Dec. 31, 2019
Raw materials, consumables and supplies	341	324
Work in progress	238	238
Finished goods and merchandise	3,461	3,450
Current rental and leasing assets	9	–
Advance payments made	59	1
	<b>4,108</b>	<b>4,013</b>

Of the total inventories reported as of the reporting date of €4,108 million (prior year: €4,013 million), an amount of €40 million (prior year: €64 million) is recognized at net realizable value. Inventories of €19,515 million (prior year: €19,069 million) were expensed at the time revenue was recognized. The write-downs recognized in profit or loss in the reporting period amounted to €47 million (prior year: €131 million) and resulted from the remeasurement of used vehicles. Reversals of write-downs of €3 million (prior year: €3 million) were recognized in profit or loss in the reporting period. Of the total amount of inventories, leased vehicles returned amounting to €31 million (prior year: €39 million) are pledged as security under asset-backed securities transactions.



## [17] TRADE RECEIVABLES

€ million	Dec. 31, 2020	Dec. 31, 2019
Trade receivables	1,081	842
	<b>1,081</b>	<b>842</b>

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, 2020	Dec. 31, 2020	Current	Non-current	Dec. 31, 2019	Dec. 31, 2019
Receivables from financing business					–	–		–
Customer financing	529	1,393	1,922	<b>1,980</b>	307	832	1,139	1,178
Dealer financing	9	–	9	<b>9</b>	16	–	16	16
Direct banking	–	–	–	–	–	–	–	–
	<b>538</b>	<b>1,393</b>	<b>1,931</b>	<b>1,989</b>	<b>323</b>	<b>832</b>	<b>1,155</b>	<b>1,194</b>
Receivables from operating leases	16	–	16	<b>16</b>	11	–	11	11
Receivables from finance leases	568	1,021	1,589	<b>1,630</b>	508	1,009	1,517	1,557
	<b>1,122</b>	<b>2,414</b>	<b>3,536</b>	<b>3,635</b>	<b>842</b>	<b>1,841</b>	<b>2,683</b>	<b>2,762</b>

## [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, 2020	Current	Non-current	Dec. 31, 2019
Positive fair value of derivative financial instruments	148	591	<b>739</b>	45	130	<b>175</b>
Miscellaneous financial assets	2,613	8,279	<b>10,892</b>	2,370	8,220	<b>10,590</b>
	<b>2,761</b>	<b>8,870</b>	<b>11,631</b>	<b>2,415</b>	<b>8,350</b>	<b>10,765</b>

The miscellaneous financial assets include receivables due from Porsche Holding Stuttgart GmbH in the amount of €9,951 million (prior year: €9,712 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 €1,816 million (prior year: €1,577 million).

In addition, the miscellaneous financial assets include restricted cash in the amount of €276 million (prior year: €242 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, 2020	Dec. 31, 2019
Transactions for hedging:		
foreign currency and interest rate risk from future cash flows (cash flow hedges)	<b>678</b>	113
<b>Hedging transactions (interest and currency)</b>	<b>678</b>	<b>113</b>
Assets related to derivatives not included in hedging relationships	<b>61</b>	62
	<b>739</b>	<b>175</b>

Further details on derivative financial instruments as a whole are given in note [34].

## [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, 2020	Current	Non-current	Dec. 31, 2019
Other recoverable income taxes	306	0	306	258	0	258
Miscellaneous receivables	288	164	452	219	179	398
Conditional receivables from long-term construction contracts <sup>1)</sup>	12	–	12	13	–	13
	<b>606</b>	<b>164</b>	<b>770</b>	<b>490</b>	<b>179</b>	<b>669</b>

<sup>1)</sup> The prior-year figures were adjusted.

Miscellaneous receivables included prepaid expenses in the amount of €219 million (prior year: €216 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	2020	2019
Contingent construction contract receivables Balance at Jan. 1	13	13
Additions and disposals	– 1	– 1
Changes in consolidated group	–	–
Change in valuation allowances	0	1
Changes in estimates and assumptions as well as contract modifications	–	–
Foreign exchange differences	–	–
<b>Contingent construction contract receivables at Dec. 31</b>	<b>12</b>	<b>13</b>

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

€ million	Dec. 31, 2020	Dec. 31, 2019
Contract costs including outcome of the long-term construction contracts	78	98
thereof services billed to customers	- 38	- 45
Future receivables from long-term construction contracts	40	53
Advance payments received	- 28	- 40
	<b>12</b>	<b>13</b>

The revenue from long-term construction contracts totals €101 million (prior year: €124 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, 2020	Current	Non-current	Dec. 31, 2019
Deferred tax assets	–	817	<b>817</b>	–	1,355	<b>1,355</b>
Tax receivables	163	–	<b>163</b>	95	–	<b>95</b>
	<b>163</b>	<b>817</b>	<b>980</b>	<b>95</b>	<b>1,355</b>	<b>1,450</b>

Of the deferred tax assets, an amount of €537 million (prior year: €780 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 €91 million (prior year: €63 million) were 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 €4,500 million (prior year: €3,511 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 €1,028 million (prior year: €1,273 million) to €13,754 million in the reporting period (prior year: €12,726 million). The increase during the fiscal year related to two cash capital contributions of €258 million (prior year: €256 million) and €770 million (prior year: €1,017 million) 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 €1,860 million (prior year: €1,798 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 contributed a significantly positive value of €1,805 million (prior year: €1,695 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 18.1 per cent (prior year: 18.5 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	2020	2019
<b>Automotive division</b>		
Operating profit after tax	2,815	2,573
Assets invested (average)	15,542	13,934
<b>Return on investment (RoI) in %</b>	<b>18.1</b>	<b>18.5</b>
Cost of capital in %	6.5	6.3
Opportunity cost of invested capital	1,010	878
<b>Value contributed</b>	<b>1,805</b>	<b>1,695</b>
<b>Financial services division</b>		
Profit before tax	192	203
Average equity	1,308	1,215
<b>Pre-tax return on equity in %</b>	<b>15</b>	<b>17</b>
<b>Equity ratio in %</b>	<b>15</b>	<b>16</b>

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 44 per cent (prior year: 41 per cent), the group satisfied this covenant in full 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 €221 million (prior year: €209 million) in the group as a whole. Of that amount, contributions to the compulsory state pension system in Germany amounted to €214 million (prior year: €202 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	
	2020	2019	2020	2019	2020	2019
Discount rate	<b>0.80</b>	1.10	<b>1.40</b>	2.00	<b>2.85</b>	3.40
Increase in salaries	<b>2.80</b>	2.90	<b>2.60</b>	2.90	<b>3.25</b>	3.25
Employee turnover rate	<b>0.70</b>	0.70	<b>3.50</b>	-	-	-
Medical cost increase rate	-	-	-	-	<b>4.50</b>	4.50
Career progression	<b>0.50</b>	0.50	-	-	-	-
Increase in pensions	<b>1.50</b>	1.50	<b>2.10</b>	2.40	-	-

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.

The way in which the yield for German pension obligations is determined was modified extensively in 2020, largely by changing the calculation method to the Aon Eurozone Yield Curve method. This results in a transition effect of €359 million (causing provisions to decrease).

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 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	
	2020	2019	2020	2019
Current service and interest cost	0	0	0	0
Post-employment medical benefits	0	0	0	0

Amounts recognized in profit or loss break down as follows:

€ million	2020	2019
Current service cost	501	332
Net interest expense (+) / income (-)	60	75
Past service cost (including plan curtailments)	-77	0
Gains (-) / losses (+) from plan settlements	-0	0
<b>Net benefit expense</b>	<b>484</b>	<b>407</b>

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 income from past service cost in 2020 largely resulted from a plan amendment in connection with the new job security agreement of the employer-funded pension plans at Porsche AG.

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

€ million	2020	2019
As of Jan. 1	5,558	3,896
Foreign exchange differences	- 11	5
Current service cost	501	332
Interest expense	63	79
Past service cost (including plan curtailments)	- 77	0
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	-427	0
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	482	1,222
Actuarial gains (-)/losses (+) arising from experience adjustments	-52	13
Employee contributions to plan assets	0	0
Pension payments from plan assets	-5	-5
Pension payments from company assets	-46	-41
Gains (-) / losses (+) from plan settlements	-0	0
Changes in consolidated group	8	-
Other changes	1	0
Employee contributions	63	57
<b>As of Dec. 31</b>	<b>6,058</b>	<b>5,558</b>

The actuarial gains/losses caused by changes in demographic assumptions largely result from the change in assumptions on the payment model for the employee-funded pension plans (deferred compensation) in Germany.

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

Present value of defined benefit obligation if		Dec. 31, 2020		Dec. 31, 2019	
		€ million	change in percent	€ million	change in percent
Discount trend	is 0.5 percentage points higher	5,304	- 12.45	4,771	- 14.16
	is 0.5 percentage points lower	6,975	15.14	6,518	17.27
Payroll trend	is 0.5 percentage points higher	6,148	1.49	5,662	1.87
	is 0.5 percentage points lower	5,988	- 1.16	5,474	- 1.51
Pension trend	is 0.5 percentage points higher	6,413	5.86	5,889	5.96
	is 0.5 percentage points lower	5,741	- 5.23	5,262	- 5.33
Longevity	increase by one year	6,232	2.87	5,747	3.40

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 term of the defined benefit obligation based on the present value of the obligation (Macaulay Duration) amounts to 28 years (prior year: 30 years).

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

€ million	2020	2019
Active members with pension entitlements	5,064	4,637
Members with vested entitlements who have left the company	280	263
Pensioners	714	658

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	2020	2019
Payments due within the next fiscal year	64	48
Payments due between two and five years	298	236
Payments due in more than five years	5,696	5,274

Development of plan assets at fair values:

€ million	2020	2019
As of Jan. 1	120	104
Foreign exchange differences	- 7	4
Interest income on plan assets determined using the discount rate	3	4
Income/expenses from plan assets not included in interest income	8	7
Benefits paid	- 5	- 5
Employer contributions	6	6
Employee contributions	1	0
Other changes	- 0	-
As of Dec. 31	126	120

Plan assets are invested in the following categories:

€ million	Dec. 31, 2020			Dec. 31, 2019		
	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	8	–	8	14	–	14
Equity instruments	12	–	12	17	–	17
Derivative financial instruments	0	–	0	0	–	0
Equity funds	28	–	28	40	–	40
Pension funds	40	–	40	12	–	12
Real estate funds	1	–	1	1	–	1
Other funds	36	–	36	35	–	35
Other	1	0	1	1	0	1
<b>Fair value of plan assets</b>	<b>126</b>	<b>0</b>	<b>126</b>	<b>120</b>	<b>0</b>	<b>120</b>

64 per cent of plan assets are invested in assets in the United Kingdom, 29 per cent are invested in assets in the United States, 7 per cent are invested in assets in Switzerland. Contributions to plan assets are expected to total €9 million for the following fiscal year.

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

€ million	2020			2019		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
As of Jan. 1	5,558	- 120	<b>5,438</b>	3,896	- 104	<b>3,792</b>
Foreign exchange differences	- 11	7	- 4	5	- 4	<b>1</b>
Current service cost	501	-	<b>501</b>	332	-	<b>332</b>
Interest expense/income	63	- 3	<b>60</b>	79	- 4	<b>75</b>
Past service cost (including plan curtailments)	- 77	-	- 77	0	-	<b>0</b>
Income/expenses from plan assets not included in interest income	-	- 8	- 8	-	- 7	- 7
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	-427	-	-427	0	-	<b>0</b>
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	482	-	<b>482</b>	1,222	-	<b>1,222</b>
Actuarial gains (-)/losses (+) arising from experience adjustments	-52	-	-52	13	-	<b>13</b>
Employee contributions to plan assets	0	-1	-1	0	0	<b>0</b>
Pension payments from plan assets	-5	5	<b>0</b>	-5	5	<b>0</b>
Employer contributions	-	-6	-6	-	-6	-6
Pension payments from company assets	-46	-	-46	-41	-	-41
Gains (-) / losses (+) from plan settlements	-0	-	<b>0</b>	0	-	<b>0</b>
Changes in consolidated group	8	-	<b>8</b>	-	-	-
Other changes	1	-	<b>1</b>	0	-	<b>0</b>
Employee contributions	63	-	<b>63</b>	57	-	<b>57</b>
<b>As of Dec. 31</b>	<b>6,058</b>	<b>-126</b>	<b>5,932</b>	<b>5,558</b>	<b>-120</b>	<b>5,438</b>

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

€ million	Dec. 31, 2020	Dec. 31, 2019
Present value of funded benefit obligations	<b>169</b>	163
Fair value of plan assets	- 126	- 120
Funded status (net)	<b>43</b>	43
Present value of unfunded benefit obligations	<b>5,889</b>	5,395
<b>As of Dec. 31</b>	<b>5,932</b>	<b>5,438</b>
thereof pension provisions	<b>5,932</b>	5,438
thereof other receivables	-	-

As of the reporting date, remeasurements from pension plans before tax of €6 million were recognized as an increase in equity (prior year: decrease in equity of €1,230 million).

## [26] NON-CURRENT AND CURRENT OTHER PROVISIONS

€ million	Obligations arising from sales	Employee expenses	Miscellaneous provisions	Total
<b>Balance at Jan. 1, 2019</b>	<b>1,357</b>	<b>718</b>	<b>654</b>	<b>2,729</b>
Foreign exchange differences	7	1	0	8
Changes in consolidated group	–	–	–	–
Utilization	688	505	133	1,326
Additions/New provisions	914	567	380	1,861
Unwinding of discount/effect of change in discount rate	2	18	–	20
Reversal	13	8	157	178
<b>Balance at Dec. 31, 2019</b>	<b>1,579</b>	<b>791</b>	<b>744</b>	<b>3,114</b>
thereof current	857	558	703	2,118
thereof non-current	722	233	41	996
<b>Balance at Jan. 1, 2020</b>	<b>1,579</b>	<b>791</b>	<b>744</b>	<b>3,114</b>
Foreign exchange differences	– 19	– 3	– 7	– 29
Changes in consolidated group	–	2	0	2
Utilization	844	533	180	1,557
Additions/New provisions	646	561	338	1,545
Unwinding of discount/effect of change in discount rate	0	0	–	0
Reversal	127	8	152	287
<b>Balance at Dec. 31, 2020</b>	<b>1,235</b>	<b>810</b>	<b>743</b>	<b>2,788</b>
thereof current	652	503	694	1,849
thereof non-current	583	307	49	939

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 [37], 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 customs law risks totaling €89 million (prior year (adjusted): €125 million). In addition, a provision for insurance claims has been recognized in the total amount of €141 million (prior year: €122 million). Of that amount, €17 million (prior year: €14 million) is attributable to claims lodged but

not yet indemnified, €14 million (prior year: €10 million) is attributable to claims not yet lodged and €110 million (prior year: €98 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.

65 per cent of the other provisions is expected to result in cash outflows within one year, 29 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
<b>Dec. 31, 2020</b>			
ABS bonds	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	–
	<b>8,325</b>	<b>2,657</b>	<b>5,668</b>
<b>Dec. 31, 2019</b>			
ABS bonds	4,253	1,966	2,287
Debenture bonds	1,791	–	1,791
Liabilities to banks	657	190	467
Lease liabilities	910	80	830
Other financial liabilities	3	3	–
	<b>7,614</b>	<b>2,239</b>	<b>5,375</b>

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 €2,025 million (prior year: €1,793 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 0.23 per cent to 0.75 per cent depending on the currency, maturity and contractual terms and conditions (prior year: 0.24 per cent and 0.75 per cent). They are measured at amortized cost.



## [28] TRADE PAYABLES

€ million	Dec. 31, 2020	Dec. 31, 2019
Trade payables	2,335	2,582
	<b>2,335</b>	<b>2,582</b>

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, 2020	Current	Non-current	Dec. 31, 2019
Negative fair values of derivative financial instruments	174	112	<b>286</b>	429	433	<b>862</b>
Interest payable	15	–	<b>15</b>	15	–	<b>15</b>
Liabilities from profit/loss transfer agreement and from tax relief with Porsche Holding Stuttgart GmbH <sup>1)</sup>	2,465	–	<b>2,465</b>	2,131	–	<b>2,131</b>
Miscellaneous financial liabilities	305	173	<b>478</b>	507	224	<b>731</b>
	<b>2,959</b>	<b>285</b>	<b>3,244</b>	<b>3,082</b>	<b>657</b>	<b>3,739</b>

<sup>1)</sup> The prior-year figures were adjusted.

Miscellaneous financial liabilities include liabilities from minority shareholders' call rights of €160 million (prior year: €210 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, 2020	Dec. 31, 2019
Transactions for hedging:		
foreign currency and interest rate risk from future cash flows (cash flow hedges)	216	845
<b>Hedging transactions (interest and currency)</b>	<b>216</b>	<b>845</b>
Liabilities related to derivatives not included in hedging relationships	70	17
	<b>286</b>	<b>862</b>

Further details on derivative financial instruments as a whole are given in note [34].

### [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, 2020	Current	Non-current	Dec. 31, 2019
Payments received on account of orders	660	290	950	456	302	758
Liabilities relating to						
other taxes	273	5	278	247	8	254
social security	5	–	5	7	–	7
wages and salaries	232	58	290	211	61	272
Miscellaneous liabilities	161	120	281	157	121	278
	<b>1,331</b>	<b>473</b>	<b>1,804</b>	<b>1,077</b>	<b>492</b>	<b>1,569</b>

The miscellaneous liabilities include deferred income. This comprises special rent payments of €244 million (prior year: €246 million) and other deferred income of €30 million (prior year: €26 million).

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

€ million	2020	2019
Liabilities from advance payments received under contract with customers at Jan. 1	758	682
Additions and disposals	224	67
Changes in consolidated group	-	-
Changes in estimates and assumptions as well as contract modifications	-	-
Foreign exchange differences	- 32	9
<b>Liabilities from advance payments received under contract with customers at Dec. 31</b>	<b>950</b>	<b>758</b>

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, 2020	Dec. 31, 2019
Cost of conversion including outcome of the long-term construction contracts	142	179
thereof services billed to customers	- 137	- 160
Future receivables from long-term construction contracts	5	19
Advance payments received	- 10	- 32
	<b>5</b>	<b>13</b>

## [31] TAX LIABILITIES

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Non-current	Dec. 31, 2020	Current	Non-current	Dec. 31, 2019
Deferred tax liabilities	-	685	685	-	681	681
Income tax provisions	111	-	111	129	-	129
Tax payables	43	-	43	72	-	72
	<b>154</b>	<b>685</b>	<b>839</b>	<b>201</b>	<b>681</b>	<b>882</b>

Of the deferred tax liabilities, an amount of €1 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	2020	2019
Interest paid	167	175
Interest received	161	115
Dividends received <sup>1)</sup>	5	6

<sup>1)</sup> Dividends received are recognized in the share of profits and losses of equity-accounted 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, 2020	Dec. 31, 2019
Cash and cash equivalents as reported in the statement of financial position	4,500	3,511
Time deposits	156	337
Cash and cash equivalents as reported in the statement of cash flows	4,344	3,174

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

€ million	Balance at Jan. 1, 2019	Cash- effective changes	Foreign exchange differences	Non-cash changes		Balance at Dec. 31, 2019
				Changes in consolidated group	Changes in fair values	
ABS bonds	- 4,143	- 41	- 69	-	-	- 4,253
Other total third-party borrowings	- 1,716	- 718	- 14	-	- 3	- 2,451
Lease liabilities	- 821	77	- 8	-	- 158	- 910
<b>Total third-party borrowings</b>	<b>- 6,680</b>	<b>- 682</b>	<b>- 91</b>	<b>-</b>	<b>- 161</b>	<b>- 7,614</b>
Put options and compensation rights granted to non-controlling interest shareholders	-	-	-	-	-	-
Other financial assets and liabilities	3	- 5	1	-	-	- 1
<b>Financial assets and liabilities in financing activities</b>	<b>- 6,677</b>	<b>- 687</b>	<b>- 90</b>	<b>-</b>	<b>- 161</b>	<b>- 7,615</b>

# Other Disclosures

## [33] 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, 2020:

€ 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
<b>Cost Balance</b>				
Balance at Jan. 1, 2019	791	9	31	831
Foreign exchange differences	9	–	–	9
Changes in consolidated group	–	–	–	–
Additions	155	–	13	168
Disposals	12	–	–	12
<b>Balance at Dec. 31, 2019</b>	<b>943</b>	<b>9</b>	<b>44</b>	<b>996</b>
<b>Depreciation, amortization and impairment losses</b>				
Balance at Jan. 1, 2019	–	–	–	–
Foreign exchange differences	–	–	–	–
Changes in consolidated group	–	–	–	–
Additions to cumulative depreciation	86	1	9	96
Additions to cumulative impairment losses	–	–	–	–
Disposals	2	–	–	2
Reversal of impairment losses	–	–	–	–
<b>Balance at Dec. 31, 2019</b>	<b>84</b>	<b>1</b>	<b>9</b>	<b>94</b>
<b>Carrying amount at Dec. 31, 2019</b>	<b>859</b>	<b>8</b>	<b>35</b>	<b>902</b>
<b>Cost Balance</b>				
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
<b>Balance at Dec. 31, 2020</b>	<b>1,057</b>	<b>9</b>	<b>59</b>	<b>1,125</b>
<b>Depreciation, amortization and impairment losses</b>				
Balance at Jan. 1, 2020	84	1	9	94
Foreign exchange differences	– 3	–	–	– 3
Changes in consolidated group	–	–	–	–
Additions to cumulative depreciation	101	1	13	115
Additions to cumulative impairment losses	–	–	–	–
Disposals	18	–	3	21
Reversal of impairment losses	–	–	–	–
Balance at Dec. 31, 2020	164	2	19	185
<b>Carrying amount at Dec. 31, 2020</b>	<b>893</b>	<b>7</b>	<b>40</b>	<b>940</b>

Income of €4 million (prior year: €6 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, 2020	Dec. 31, 2019
Non-current financial liabilities	873	830
Current financial liabilities	91	80
<b>Total lease liabilities</b>	<b>964</b>	<b>910</b>

Maturity analysis of lease liabilities:

€ million	Remaining contractual maturities			Total
	under one year	within one to five years	over five years	
Lease liabilities at Dec. 31, 2020	91	299	574	964
Lease liabilities at Dec. 31, 2019	80	249	581	910

Interest expenses of €32 million (prior year: €33 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 €29 million (prior year: €24 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 €94 million in the fiscal year (prior year: €124 million). €0 million (prior year: €0 million) was attributable to variable lease payments in the fiscal year.

In the fiscal year, total cash outflows of €256 million (prior year: €248 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	2020	2019
<b>Future cash outflows to which the lessee is potentially exposed</b>		
Variable lease payments	–	–
Residual value guarantees	–	–
Extension options	269	236
Termination options	6	2
Obligations under leases not yet commenced	16	17
Other limitations or obligations under leases	–	–
	<b>291</b>	<b>255</b>

## 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, 2020:

€ 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
<b>Costs of acquisitions</b>				
Balance at Jan. 1, 2019	–	–	5,287	5,287
Foreign exchange differences	–	–	122	122
Additions	–	–	2,117	2,117
Disposals	–	–	2,049	2,049
<b>Balance at Dec. 31, 2019</b>	<b>–</b>	<b>–</b>	<b>5,477</b>	<b>5,477</b>
<b>Depreciation, amortization and impairment losses</b>				
Balance at Jan. 1, 2019	–	–	1,512	1,512
Foreign exchange differences	–	–	36	36
Additions to cumulative depreciation	–	–	752	752
Additions to cumulative impairment losses	–	–	117	117
Disposals	–	–	739	739
Reversal of impairment losses	–	–	30	30
<b>Balance at Dec. 31, 2019</b>	<b>–</b>	<b>–</b>	<b>1,648</b>	<b>1,648</b>
<b>Carrying amount at Dec. 31, 2019</b>	<b>–</b>	<b>–</b>	<b>3,829</b>	<b>3,829</b>
<b>Costs of acquisitions</b>				
Balance at Jan. 1, 2020	–	–	5,477	5,477
Foreign exchange differences	–	–	– 430	– 430
Additions	–	–	2,323	2,323
Transfers	–	–	– 11	– 11
Disposals	–	–	2,193	2,193
<b>Balance at Dec. 31, 2020</b>	<b>–</b>	<b>–</b>	<b>5,166</b>	<b>5,166</b>
<b>Depreciation, amortization and impairment losses</b>				
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
<b>Balance at Dec. 31, 2020</b>	<b>–</b>	<b>–</b>	<b>1,552</b>	<b>1,552</b>
<b>Carrying amount at Dec. 31, 2020</b>	<b>–</b>	<b>–</b>	<b>3,614</b>	<b>3,614</b>

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

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

€ million	2020	2021	2022	2023	2024	From 2025	Total
<b>Dec. 31, 2019</b>							
Lease payments	199	499	698	128	24	88	1,636

Breakdown of income from operating leases:

€ million	2020	2019
Lease income	1,054	1,063
Income from variable lease payments	6	13
<b>Total</b>	<b>1,060</b>	<b>1,076</b>

## 2.2 Finance leases

Interest income on the net investment in the lease amounted to €66 million in the fiscal year (prior year: €62 million).

Reconciliation of lease payments from finance leases:

€ million	Dec. 31, 2020	Dec. 31, 2019
Non-guaranteed residual value	162	218
Non-discounted lease payments	1,654	1,517
Unearned interest income	- 103	- 99
Loss allowance on lease receivables	- 108	- 108
Other	-	-
<b>Net investment</b>	<b>1,605</b>	<b>1,528</b>

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

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

  

€ million	2020	2021	2022	2023	2024	From 2025	Total
<b>Dec. 31, 2019</b>							
Lease payments	663	440	340	68	6	–	1,517

## **[34] 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 reduced the risk by €2 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 €9,951 million (prior year: €9,712 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, 2020:

€ million	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	-	-
<b>Carrying amount at Dec. 31, 2020</b>	<b>17,239</b>	<b>107</b>	<b>21</b>	<b>1,130</b>	<b>18,497</b>

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2019	13,868	41	68	783	14,760
Foreign exchange differences	50	1	1	6	58
Changes in consolidated group	-	-	-	0	0
Changes	1,232	- 3	1	123	1,353
Modification	-	-	-	-	-
Transfers to					
Stage 1	62	- 15	- 47	-	-
Stage 2	- 20	20	-	-	-
Stage 3	- 2	-	2	-	-
<b>Carrying amount at Dec. 31, 2019</b>	<b>15,190</b>	<b>44</b>	<b>25</b>	<b>912</b>	<b>16,171</b>

Changes in the loss allowance for financial assets measured at amortized cost for the period from January 1 to December 31, 2020:

€ million	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	-	-
Stage 2	- 8	8	-	-	-
Stage 3	- 2	- 0	2	-	-
Financial instruments derecognized during the period (disposals)	- 4	-	- 8	- 6	- 18
Utilization	-	-	- 4	- 1	- 5
<b>Carrying amount at Dec. 31, 2020</b>	<b>29</b>	<b>12</b>	<b>18</b>	<b>35</b>	<b>94</b>

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Carrying amount at Jan. 1, 2019	18	3	19	22	62
Foreign exchange differences	0	0	0	0	0
Changes in consolidated group	-	-	-	0	0
Newly extended/purchased financial assets (additions)	5	-	-	16	21
Other changes within a stage	-	-	6	-	6
Transfers to					-
Stage 1	2	- 0	- 2	-	- 0
Stage 2	- 1	1	-	-	- 0
Stage 3	- 1	-	2	-	1
Financial instruments derecognized during the period (disposals)	- 1	-	- 4	- 6	- 11
Utilization	-	-	- 4	- 0	- 4
<b>Carrying amount at Dec. 31, 2019</b>	<b>22</b>	<b>4</b>	<b>17</b>	<b>32</b>	<b>75</b>



Changes in the gross carrying amounts of lease receivables for the period from January 1 to December 31, 2020:

€ million	<b>Simplified approach</b>
Carrying amount at Jan. 1, 2020	1,649
Foreign exchange differences	– 6
Changes in consolidated group	–
Changes	83
<b>Carrying amount at Dec. 31, 2020</b>	<b>1,726</b>

	<b>Simplified approach</b>
Carrying amount at Jan. 1, 2019	1,448
Foreign exchange differences	3
Changes in consolidated group	–
Changes	198
<b>Carrying amount at Dec. 31, 2019</b>	<b>1,649</b>

Changes in the loss allowance for lease receivables for the period from January 1 to December 31, 2020:

€ million	<b>Simplified approach</b>
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
<b>Carrying amount at Dec. 31, 2020</b>	<b>108</b>

	<b>Simplified approach</b>
Carrying amount at Jan. 1, 2019	99
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)	– 6
Utilization	– 13
<b>Carrying amount at Dec. 31, 2019</b>	<b>109</b>

## 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, 2020	Dec. 31, 2019
Financial instruments measured at fair value	–	–
Financial instruments measured at amortized cost	18,403	16,096
Financial guarantees and credit commitments	72	72
Not allocated to a measurement category	1,618	1,540
<b>Total</b>	<b>20,093</b>	<b>17,708</b>

The credit risk presented in the category “Financial guarantees and credit commitments” relate to a syndicated loan agreement with a total credit commitment of € 150 million. The total credit commitment is split into facilities A-C, with a term of 5 years (facilities A and B) or 10 years (facility C). Under this loan agreement, Porsche AG acts as guarantor for maximum utilization of up to € 72.5 million.

The category “not allocated to a measurement category” combines lease receivables pursuant to IFRS 16 of € 1,605 million as well as receivables under long-term construction contracts pursuant to IFRS 15 of € 13 million.

### 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 category as of December 31, 2020.

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
<b>Dec. 31, 2020</b>					
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	–
<b>Total</b>	<b>17,240</b>	<b>107</b>	<b>21</b>	<b>2,855</b>	<b>–</b>

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
<b>Dec. 31, 2019</b>					
Credit risk rating grade 1 (receivables with no credit risk – standard loans)	15,190	–	–	2,547	–
Credit risk rating grade 2 (receivables with credit risk – intensified loan management)	–	45	–	4	–
Credit risk rating grade 3 (cancelled receivables – non-performing loans)	–	–	25	9	–
<b>Total</b>	<b>15,190</b>	<b>45</b>	<b>25</b>	<b>2,560</b>	<b>–</b>

### 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	
<b>Dec. 31, 2020</b>				
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
	<b>19,018</b>	<b>12,715</b>	<b>1,628</b>	<b>33,361</b>
<b>Dec. 31, 2019</b>				
Financial liabilities	2,387	4,095	1,869	8,351
Trade payables	2,582	–	–	2,582
Other financial liabilities	2,653	224	–	2,877
Derivative financial instruments	14,457	15,316	11	29,784
	<b>22,079</b>	<b>19,635</b>	<b>1,880</b>	<b>43,594</b>

The cash outflows from other financial liabilities include liabilities for tax allocations amounting to €642 million (prior year: €335 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	2020	2019
<b>Interest rate risk</b>		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	- 1	- 4
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	- 1	- 3
<b>Currency risk</b>		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	633	- 751
Recognized in profit or loss	- 1	-
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	1	-
Due to realization of the hedged item	166	231
<b>Combined interest rate and currency risk hedging</b>		
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
<b>Dec. 31, 2020</b>				
<b>Hedging interest rate risk</b>				
Interest rate swaps	4,795	1	15	– 14
<b>Hedging currency risk</b>				
Currency forwards/Cross-currency swaps	17,049	468	139	1,049
Currency options	14,556	201	47	49
<b>Combined interest rate and currency risk hedging</b>				
Interest rate/currency swaps	145	8	15	– 6

€ million	Notional amount	Other assets	Other liabilities	Fair value changes to determine hedge ineffectiveness
<b>Dec. 31, 2019</b>				
<b>Hedging interest rate risk</b>				
Interest rate swaps	4,393	1	12	– 11
<b>Hedging currency risk</b>				
Currency forwards/Cross-currency swaps	21,432	37	756	– 11
Currency options	13,984	69	67	1
<b>Combined interest rate and currency risk hedging</b>				
Interest rate/currency swaps	134	6	9	– 2

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



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

	Fair value changes to determine hedge ineffectiveness	Reserve for	
		Active cash flow hedges	Discontinued cash flow hedges
<b>Dec. 31, 2019</b>			
<b>Hedging interest rate risk</b>			
Designated components	- 12	10	-
Undesignated components	-	-	-
Deferred taxes	-	- 3	-
<b>Total hedging interest rate risk</b>	<b>- 12</b>	<b>7</b>	<b>-</b>
<b>Hedging currency risk</b>			
Designated components	- 11	17	-
Undesignated components	-	693	-
Deferred taxes	-	- 212	-
<b>Total hedging currency risk</b>	<b>- 11</b>	<b>498</b>	<b>-</b>
<b>Combined interest rate and currency risk hedging</b>			
Designated components	- 2	0	-
Undesignated components	-	-	-
Deferred taxes	-	- 0	-
<b>Total hedging combined interest rate and currency risk</b>	<b>- 2</b>	<b>0</b>	<b>-</b>

#### 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, 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	-	-	-	-
<b>Balance at Dec. 31, 2020</b>	<b>- 9</b>	<b>767</b>	<b>- 1</b>	<b>757</b>

	Interest rate risk	Currency risk	Interest rate/currency risk	Total
Balance at Jan. 1, 2019	0	313	- 0	313
Gains or losses from effective hedging relationships	- 4	- 274	0	- 278
Reclassifications due to changes in whether the hedged item is expected to occur	-	-	-	-
Reclassifications due to realization of the hedged item	- 3	- 51	-	- 54
Reclassification of expected uncollectable losses recognized in other comprehensive income	-	-	-	-
<b>Balance at Dec. 31, 2019</b>	<b>- 7</b>	<b>- 12</b>	<b>- 0</b>	<b>- 19</b>

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, 2020:

€ million	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	–
<b>Balance at Dec. 31, 2020</b>	<b>36</b>

	Currency risk
Balance at Jan. 1, 2019	– 9
Gains and losses from undesignated time value of options	
Hedged item is recognized at a point in time	– 46
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	19
Hedged item is recognized in a time-period	–
<b>Balance at Dec. 31, 2019</b>	<b>– 36</b>

Changes in the reserve for non-designated forward components and cross-currency basis spreads (CCBS) for the period from January 1 to December 31, 2020:

€ million	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
<b>Balance at Dec. 31, 2020</b>	<b>– 501</b>

  

	Currency risk
Balance at Jan. 1, 2019	– 282
Gains and losses from undesignated forward elements and CCBS	
Hedged item is recognized at a point in time	– 432
Reclassification due to realization of the hedged item	
Hedged item is recognized at a point in time	263
<b>Balance at Dec. 31, 2019</b>	<b>– 451</b>

## 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, 2020, the VaR for interest rate risk amounted to €3 million (prior year: €8 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, 2020, the VaR for currency risk amounted to €4 million (prior year: €3 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, 2020, profit after tax would have been €18 million (prior year: €22 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, 2020, profit after tax would have been €18 million (prior year: €20 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, 2020, equity would have been €0 million (prior year: €0 million) lower. If market interest rates had been 100 bps lower as of December 31, 2020, equity would have been €0 million (prior year: €0 million) higher.

If market interest rates had been 100 bps higher as of December 31, 2020, profit after tax would have been €4 million lower (prior year: €5 million). If market interest rates had been 100 bps lower as of December 31, 2020, profit after tax would have been €5 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 2020, hedges were entered into in the following currencies as part of currency risk management: Australian dollar (AUD), Brazilian real (BRL), Canadian dollar (CAD), Chinese renminbi (CNY), Hong Kong dollar (HKD), Japanese yen (JPY), Mexican peso (MXN), Polish zloty (PLN), British pound sterling (GBP), 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 currencies concerned had appreciated or depreciated by 10 per cent against the euro, 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, 2020 with respect to the key currencies held.

€ million	Dec. 31, 2020		Dec. 31, 2019	
	+10 %	- 10 %	+10 %	- 10 %
<b>Exchange rate</b>				
EUR / USD				
Hedging reserve	641	- 562	679	- 690
Profit/loss after tax	- 25	25	- 16	16
EUR / TWD				
Hedging reserve	42	- 42	47	- 47
Profit/loss after tax	- 3	3	- 1	1
EUR / MXN				
Hedging reserve	5	- 5	6	- 6
Profit/loss after tax	-	-	-	-
EUR / PLN				
Hedging reserve	25	- 25	16	- 16
Profit/loss after tax	-	-	-	-
EUR / GBP				
Hedging reserve	126	- 121	162	- 162
Profit/loss after tax	- 4	4	- 5	5
EUR / CNY				
Hedging reserve	364	- 321	453	- 475
Profit/loss after tax	- 84	84	- 83	83
EUR / CHF				
Hedging reserve	76	- 76	75	- 67
Profit/loss after tax	- 1	1	- 1	1
EUR / SEK				
Hedging reserve	32	- 33	11	- 10
Profit/loss after tax	-	-	- 1	1
EUR / HKD				
Hedging reserve	14	- 13	14	- 14
Profit/loss after tax	-	-	- 1	1
EUR / RUB				
Hedging reserve	16	- 16	32	- 32
Profit/loss after tax	- 2	2	- 1	1
EUR / SGD				
Hedging reserve	2	- 2	3	- 3
Profit/loss after tax	-	-	-	-
EUR / KRW				
Hedging reserve	44	- 43	19	- 18
Profit/loss after tax	- 11	11	- 7	7
EUR / CAD				
Hedging reserve	54	- 48	69	- 70
Profit/loss after tax	- 2	2	- 2	2
EUR / JPY				
Hedging reserve	80	- 74	86	- 88
Profit/loss after tax	- 12	12	- 9	9
EUR / AUD				
Hedging reserve	44	- 44	23	- 23
Profit/loss after tax	- 4	4	- 4	4
EUR / BRL				
Hedging reserve	2	- 2	2	- 2
Profit/loss after tax	- 1	1	- 2	2



### **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, 2020, profit after tax would have been €19 million (prior year: €6 million) higher. If share prices had been 10 per cent lower as of December 31, 2019, profit after tax would have been €27 million (prior year: €10 million) lower.

### **4.3.4 Commodity price risk**

Commodity price risks for the Porsche AG group mainly result from price fluctuations as well as the availability of aluminum, lead, copper, palladium, rhodium, nickel, lithium carbonate and cobalt. Commodity price risks within the meaning of IFRS 7 are presented using a sensitivity analysis. This shows the effect of changes in the risk variable raw materials prices on profit after tax.

If the commodity prices for the above-mentioned raw materials had been 10 per cent higher (lower) as of December 31, 2020, profit after tax would have been €38 million (prior year: €31 million) lower (higher).

## **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, 2020	Dec. 31, 2019
<b>Notional amount of hedging instruments</b>					
Hedging Interest rate risk					
Interest rate swaps	4,225	570	–	<b>4,795</b>	4,393
Hedging Currency risk					
Currency forwards/Cross-currency swaps					
Currency forwards/Cross-currency swaps in CNY	3,114	623	–	<b>3,737</b>	6,142
Currency forwards/Cross-currency swaps in USD	2,647	4,073	–	<b>6,720</b>	8,283
Currency forwards/Cross-currency swaps in GBP	845	856	–	<b>1,701</b>	2,341
Currency forwards/Cross-currency swaps in other currencies	1,957	2,934	–	<b>4,891</b>	4,666
Currency options					
Currency options in CNY	3,986	–	–	<b>3,986</b>	2,047
Currency options in USD	1,874	4,643	–	<b>6,517</b>	8,016
Currency options in other currencies	1,901	2,152	–	<b>4,053</b>	3,921
Combined interest rate and currency risk hedging					
Interest rate/currency swaps other currencies	145	0	0	<b>145</b>	134
<b>Notional amount of other derivatives</b>					
Hedging interest rate risk					
Interest rate swaps	0	662	0	<b>662</b>	563
Hedging currency risk					
Currency forwards/Cross-currency swaps					
Currency forwards/Cross-currency swaps in other currencies	138	0	0	<b>138</b>	67
Currency options					
Currency options in other currencies	0	0	0	<b>0</b>	0
Combined interest rate and currency risk hedging					
Interest rate/currency swaps other currencies	–	–	–	<b>–</b>	–

In addition to the other derivatives used to hedge currency and interest rate risk, as presented above, on the December 31, 2020 reporting date the group held credit swaps with a notional amount of €0 million (prior year: €451 million) and remaining maturity of 1-5 years. It also held equity futures (€88 million; prior year: €47 million), fixed income futures (€94 million; prior year: €88 million), options on swaps (€0 million; prior year: €602 million) and equity swaps (€32 million; prior year: €16 million) with a remaining maturity of under one year, as well as equity swaps (€145 million; prior year: €0 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 a hedging interest rate of 0.35 per cent (prior year: 1.08 per cent) and 1.06 per cent (prior year: 1.69 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 8.08 (EUR/CNY; prior year: 8.19), 0.88 (EUR/GDP; prior year: 0.85) and 1.20 (EUR/USD; prior year: 1.15), 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 group determines market values of the derivatives 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
<b>Dec. 31, 2020</b>					
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
<b>Dec. 31, 2019</b>					
Interest rate for 6 months	- 0.38	1.83	0.77	- 0.56	- 0.18
Interest rate for 1 year	- 0.37	1.76	0.74	- 0.51	- 0.09
Interest rate for 5 years	- 0.12	1.69	0.88	- 0.44	0.03
Interest rate for 10 years	0.21	1.84	1.02	- 0.11	0.13

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 being assessed on an ongoing basis and the requisite action will be taken in good time. By modifying systems and processes, these measures are designed to ensure that the new reference rates can replace those superseded by the IBOR reform in a timely manner. Porsche AG is currently focusing on the SONIA benchmark interest rate due to its high level of market acceptance and the materiality of the transactions involved.

The notional amounts of hedging instruments affected by the above uncertainties surrounding the IBOR reform amount to €3,212 million (prior year: €2,885 million) for USD LIBOR and €108 million (prior year: €94 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, 2020	Dec. 31, 2019
Financial assets measured at fair value through profit or loss	846	513
Financial assets measured at fair value through other comprehensive income (debt instruments)	–	–
Financial assets measured at fair value through other comprehensive income (equity instruments)	75	0
Financial instruments measured at amortized cost	18,404	16,096
Financial liabilities measured at fair value through profit or loss	70	17
Financial liabilities measured at amortized cost	12,654	12,164

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 15.17 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, 2020 relate to the shares in Rimac Automobili D.O.O., Sveta Nedelja (€30 million; prior year: €0 million), WayRay AG, Zurich (€18 million; prior year: €0 million), Greyp bikes D.O.O., Brezje (€7 million; prior year: €0 million), Urgent.ly Inc., Vienna (€7 million; prior year: €0 million), as well as additional smaller equity investments (€13 million; prior year: €0 million).

## **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.

	MEASURED	MEASURED AT AMORTIZED COST		DERIVATIVE	NOT	STATEMENT OF
	AT FAIR	CARRYING AMOUNT	FAIR VALUE	FINANCIAL	ALLOCATED TO	
	VALUE			INSTRUMENTS	A	POSITION ITEM
				WITHIN HEDGE	MEASUREMENT	AT DEC. 31,
				ACCOUNTING	CATEGORY	2020
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
<b>Non-current assets</b>						
Equity-accounted investments	–	–	–	–	167	<b>167</b>
Other equity investments	105	–	–	–	112	<b>217</b>
Financial services receivables	–	1,393	1,451	–	1,021	<b>2,414</b>
Other financial assets	54	8,281	8,308	535	–	<b>8,870</b>
<b>Current assets</b>						
Trade receivables	–	1,081	1,081	–	–	<b>1,081</b>
Financial services receivables	–	538	538	–	584	<b>1,122</b>
Other financial assets	7	2,611	2,611	143	–	<b>2,761</b>
Securities	755	–	–	–	–	<b>755</b>
Cash, cash equivalents and time deposits	–	4,500	4,500	–	–	<b>4,500</b>
<b>Non-current liabilities</b>						
Financial liabilities	–	4,795	4,873	–	873	<b>5,668</b>
Other financial liabilities	6	173	173	106	–	<b>285</b>
<b>Current liabilities</b>						
Financial liabilities	–	2,566	2,566	–	91	<b>2,657</b>
Trade payables	–	2,335	2,335	–	–	<b>2,335</b>
Other financial liabilities	64	2,785	2,785	110	–	<b>2,959</b>

€ million	MEASURED AT	MEASURED AT	AMORTIZED COST	DERIVATIVE	NOT	STATEMENT OF
	FAIR VALUE	CARRYING AMOUNT	CARRYING AMOUNT	FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	ALLOCATED TO A MEASUREMENT CATEGORY	FINANCIAL POSITION ITEM AT DEC. 31, 2019
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
<b>Non-current assets</b>						
Equity-accounted investments	–	–	–	–	298	<b>298</b>
Other equity investments	0	–	–	–	146	<b>146</b>
Financial services receivables	–	832	871	–	1,009	<b>1,841</b>
Other financial assets	51	8,219	8,923	79	–	<b>8,349</b>
<b>Current assets</b>						
Trade receivables	–	842	842	–	–	<b>842</b>
Financial services receivables	–	322	322	–	520	<b>842</b>
Other financial assets	11	2,370	2,370	34	–	<b>2,415</b>
Securities	451	–	–	–	–	<b>451</b>
Cash, cash equivalents and time deposits	–	3,511	3,511	–	–	<b>3,511</b>
<b>Non-current liabilities</b>						
Financial liabilities	–	4,545	4,595	–	830	<b>5,375</b>
Other financial liabilities	6	225	225	426	–	<b>657</b>
<b>Current liabilities</b>						
Financial liabilities	–	2,159	2,159	–	80	<b>2,239</b>
Trade payables	–	2,582	2,582	–	–	<b>2,582</b>
Other financial liabilities	11	2,653	2,653	419	–	<b>3,083</b>

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.

#### **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, 2020	Level 1	Level 2	Level 3
<b>Non-current assets</b>				
Other equity investments	105	0	–	105
Financial services receivables	–	–	–	–
Other financial assets	54	–	12	42
<b>Current assets</b>				
Trade receivables	–	–	–	–
Financial services receivables	–	–	–	–
Other financial assets	7	–	7	–
Securities	755	755	–	–
Assets classified as held for sale	–	–	–	–
<b>Non-current liabilities</b>				
Other financial liabilities	6	–	6	–
<b>Current liabilities</b>				
Other financial liabilities	64	–	64	–
<hr/>				
	Dec. 31, 2019	Level 1	Level 2	Level 3
<b>Non-current assets</b>				
Other equity investments	0	0	–	–
Financial services receivables	–	–	–	–
Other financial assets	51	–	22	29
<b>Current assets</b>				
Trade receivables	–	–	–	–
Financial services receivables	–	–	–	–
Other financial assets	11	–	11	–
Securities	451	451	–	–
Assets classified as held for sale	–	–	–	–
<b>Non-current liabilities</b>				
Other financial liabilities	6	–	6	–
<b>Current liabilities</b>				
Other financial liabilities	11	–	11	–

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 €1,605 million (prior year: €1,529 million) that are measured in accordance with IFRS 16.

€ million	Dec. 31, 2020	Level 1	Level 2	Level 3
<b>Fair value of financial assets measured at amortized cost</b>				
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
<b>Fair value of financial liabilities measured at amortized cost</b>				
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
<b>Fair value of financial assets measured at amortized cost</b>				
Financial services receivables	2,722	–	–	2,722
Trade receivables	842	–	842	–
Other financial assets	11,293	408	10,885	0
Cash, cash equivalents and time deposits	3,511	3,174	337	–
Fair value of financial assets measured at amortized cost	18,368	3,582	12,064	2,722
<b>Fair value of financial liabilities measured at amortized cost</b>				
Trade payables	2,582	–	2,582	–
Financial liabilities	6,754	–	6,754	–
Other financial liabilities	2,878	46	2,621	211
Fair value of financial liabilities measured at amortized cost	12,214	46	11,957	211

Derivative financial instruments included in hedge accounting by level:

€ million	Dec. 31, 2020	Level 1	Level 2	Level 3
<b>Non-current assets</b>				
Other financial assets	535	–	535	–
<b>Current assets</b>				
Other financial assets	143	–	143	–
<b>Non-current liabilities</b>				
Other financial liabilities	106	–	106	–
<b>Current liabilities</b>				
Other financial liabilities	110	–	110	–

€ million	Dec. 31, 2019	Level 1	Level 2	Level 3
<b>Non-current assets</b>				
Other financial assets	79	–	79	–
<b>Current assets</b>				
Other financial assets	34	–	34	–
<b>Non-current liabilities</b>				
Other financial liabilities	426	–	426	–
<b>Current liabilities</b>				
Other financial liabilities	419	–	419	–

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, 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
<b>Balance at Dec. 31, 2020</b>	<b>147</b>
<b>Gains or losses recognized in profit or loss</b>	
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
<hr/>	
Balance at Jan. 1, 2019	88
Changes in consolidated group	
Additions (acquisitions)	11
Reclassification from level 2 to level 3	-
Total comprehensive income	- 4
recognized in profit or loss	- 4
recognized directly in equity	-
Realizations	- 14
Disposal (sales)	- 52
<b>Balance at Dec. 31, 2019</b>	<b>29</b>
<b>Gains or losses recognized in profit or loss</b>	
Other operating profit/loss	-
thereof attributable to assets/liabilities held on the reporting date	-
Financial result	- 4
thereof attributable to assets/liabilities held on the reporting date	- 4

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 value had been 10 per cent higher as of December 31, 2020, profit after tax would have been €2 million (prior year: €0 million) higher. If the assumed enterprise value had been 10 per cent lower as of December 31, 2020, profit after tax would have been €2 million (prior year: €0 million) lower. If the assumed enterprise value had been 10 per cent higher as of December 31, 2020, equity would have been €5 million (prior year: €0 million) higher. If the assumed enterprise value had been 10 per cent lower as of December 31, 2020, equity would have been €5 million (prior year: €0 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 value had been 10 per cent higher as of December 31, 2020, profit after tax would have been €3 million (prior year: €2 million) higher. If the assumed enterprise value had been 10 per cent lower as of December 31, 2020, profit after tax would have been €3 million (prior year: €2 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, 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	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, 2019
Derivative financial instruments	176	–	176	– 106	–	70
Financial services receivables	2,683	–	2,683	–	–	2,683
Trade receivables	842	–	842	–	–	842
Securities	451	–	451	–	–	451
Cash, cash equivalents and time deposits	3,511	–	3,511	–	–	3,511
Other financial assets	10,589	–	10,589	–	–	10,589

€ million	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION						Net amount at Dec. 31, 2020
	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		
Derivative financial instruments	286	–	286	– 186	–	<b>100</b>	
Financial liabilities	8,325	–	8,325	–	–	<b>8,325</b>	
Trade payables	2,335	–	2,335	–	–	<b>2,335</b>	
Other financial liabilities	2,958	–	2,958	–	–	<b>2,958</b>	

€ million	AMOUNTS THAT ARE NOT SET OFF IN THE STATEMENT OF FINANCIAL POSITION						Net amount at Dec. 31, 2019
	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		
Derivative financial instruments	861	–	861	– 106	–	<b>755</b>	
Financial liabilities	7,614	–	7,614	–	–	<b>7,614</b>	
Trade payables	2,582	–	2,582	–	–	<b>2,582</b>	
Other financial liabilities	2,878	–	2,878	–	–	<b>2,878</b>	

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 € 105 million (prior year: € 0 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

Transactions in asset-backed securities conducted to refinance the financial services business amounted to €4,650 million (prior year: €4,252 million) and were reported in the ABS bonds. The corresponding carrying amount of the receivables from customer and dealer financing and the finance lease business amounted to €1,880 million (prior year: €1,257 million). Collateral totaling €7,188 million (prior year: €6,452 million) was provided for transactions in asset-backed securities. The expected payments to the special purpose entities and the financed vehicles are assigned as collateral. 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 less than 10 per cent of the original transaction volume is 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, 2020, the fair value of the receivables from the financing business that have been pledged but not disposed of amounted to €1,682 million (prior year: €1,171 million). The fair value of the associated liabilities as of the reporting date amounted to €1,610 million (prior year: €1,187 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 €519 million (prior year: €521 million) and the total interest expenses amounted to €158 million (prior year: €162 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	2020	2019
Financial instruments measured at fair value through profit or loss	- 73	11
Financial instruments measured at amortized cost	410	464
Financial assets measured at fair value through other comprehensive income (debt instruments)	-	0
Financial liabilities measured at amortized cost	10	- 78

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.

## [35] CONTINGENT LIABILITIES

€ million	Dec. 31, 2020	Dec. 31, 2019
Guarantees	3	9
Warranties	0	0
Collateral for third-party liabilities	–	–
Other contingent liabilities	16	4

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 [37]. 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 [37].

## [36] OTHER FINANCIAL OBLIGATIONS

€ million	Maturity			Total
	Within one year	Within one to five years	More than five years	
<b>Dec. 31, 2020</b>				
Purchase commitments in respect of				
Property, plant and equipment	404	124	–	528
Intangible assets	908	91	–	999
Obligations from				
Leasing and rental contracts	43	28	8	79
Miscellaneous other financial obligations	212	116	17	345
<b>Total</b>	<b>1,567</b>	<b>359</b>	<b>25</b>	<b>1,951</b>
<b>Dec. 31, 2019</b>				
Purchase commitments in respect of				
Property, plant and equipment	438	181	–	619
Intangible assets	659	260	–	919
Obligations from				
Leasing and rental contracts	42	38	4	84
Miscellaneous other financial obligations	220	128	–	348
<b>Total</b>	<b>1,359</b>	<b>607</b>	<b>4</b>	<b>1,970</b>

## [37] 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 diesel engines affected 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 VW group, including Porsche AG. The agreement with Porsche AG is limited to civil penalties. Volkswagen 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 vehicles with 3.0 liter V6 TDI generation 2.1 and 2.2 engines. The recall of the approximately 11,500 Cayenne V6 diesel vehicles concerned 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, 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.

For the civil law proceedings outside of the US and Canada in connection with the diesel issue, Porsche AG expects - based on previous agreements and accounting practice - that all costs incurred in this connection for legal risks and litigation costs will be borne by Audi AG and will pass the costs on to them. 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 seven 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). 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 and paid the fine in full, rendering the fine notice legally binding. The fine notice ends 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.

## **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. The proceedings relate to an alleged breach of supervisory duty on the part of the Executive Board members affected resulting in reckless tax evasion and wage tax fraud being committed within the company. The tax authorities have yet to make a decision, and in particular have not yet issued a fine. Porsche AG is cooperating with the fiscal authorities in the treatment of all relevant tax matters. Porsche AG expects the proceedings to come to a close in the first quarter of 2021. An investigation also pending with the public prosecutor's office in Stuttgart on account of suspected tax evasion and embezzlement charges against several current and former members of the company's Executive Board will most likely be converted into the above-mentioned administrative fine proceedings and otherwise discontinued. A corresponding provision has been set up for a potential fine.

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. In it, the European Commission outlined its preliminary assessment of the matter and gave the opportunity to make a statement. The subject matter of the proceedings is restricted to cooperation between German car manufacturers on technical issues in connection with the development and launch of SCR systems and "otto" particle filters for passenger cars that were sold in the European Economic Area. The manufacturers were not accused of other conduct such as price fixing or allocating markets and customers. The Volkswagen Group gained access to the investigation files in July 2019 and in December 2019 submitted its response to the European Commission's statement of objections. In addition, in 2019 the Chinese and in 2020 both the Turkish and South Korean antitrust authorities opened proceedings against Porsche AG and other German car manufacturers relating to the same matter.

In October 2020, the U.S. District Court for the Northern District of California dismissed two antitrust class actions in which the plaintiffs had alleged that several car manufacturers, including Porsche AG and other companies of the VW Group had conspired to unlawfully increase vehicle prices in violation of US antitrust and consumer protections law. The court held that the plaintiffs have not stated a claim for relief because the allegations in the complaints do not plausibly support the alleged anticompetitive agreements. The plaintiffs filed an appeal with the US Court of Appeal against this ruling. 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 not currently possible. Porsche AG and its subsidiaries will also defend these claims in Canada should the plaintiffs actually take further action.

In February 2020, the US District Court for the Northern District of California definitively approved a class action settlement of civil claims relating to approximately 50,000 Porsche vehicles with automatic transmission as well as further Volkswagen, Audi and Bentley vehicles.

With regard to vehicles for various markets worldwide, Porsche AG has identified potential regulatory issues. These issues 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. However, based on the information available at present, current production has not been affected. The issues are in no way related to the illegal defeat devices underlying 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 five employees at Porsche AG. However, based on the information available, no criminal investigation has been instigated against the company. Internal investigations into this at Porsche are ongoing. To date, five different class actions relating to these issues have been filed in the US. 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 five class actions into one lawsuit. This will most likely be handled by the US District Court for the Northern District of California. The five lawsuits were originally directed at 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 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.

## **[38] SUBSEQUENT EVENTS**

There were no events of significance to the net assets, financial position and results of operations after the end of fiscal year 2020.

## **[39] 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 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, 2020	Dec. 31, 2019
Total expense of the reporting period	€ million	9	-
Carrying amount of the obligation	€ million	9	-
Intrinsic value of the obligation	€ million	9	-
Fair value at grant date	€ million	4	-
Granted performance shares	Number	24,882	-
of which granted during the reporting period	Number	24,882	-

## TOP-MANAGEMENT

		Dec. 31, 2020	Dec. 31, 2019
Total expense of the reporting period	€ million	6	5
Carrying amount of the obligation	€ million	7	5
Intrinsic value of the obligation	€ million	7	4
Fair value at grant date	€ million	4	3
Granted performance shares	Shares	50,855	26,136
of which granted during the reporting period	Shares	24,719	26,136

## MEMBERS OF MANAGEMENT

In the fiscal year, all other beneficiaries were granted a target amount, based on a target achievement of 100 per cent, of €57 million (prior year: - € million). As of December 31, 2020, the total carrying amount of the obligation corresponding to the intrinsic value of the liabilities amounted to €67 million (prior year: - € million). In the reporting period, a total expense of €67 million (prior year: - € million) was recognized for this amount granted.

## [40] 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 €367 million (prior year: €368 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.

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 €2 million (prior year: €3 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 2020:

- €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 the prior period, the following material capital contributions were made:

- €46 million to Porsche Investments GmbH, Stuttgart
- €29 million to Cetitec GmbH, Pforzheim
- €20 million to IONITY Holding GmbH & Co. KG, Munich
- €11 million to Porsche Design Asia Hong Kong Ltd., Hong Kong
- €4 million to Porsche Design Timepieces AG, Solothurn
- €1 million to Porsche Consulting SAS, Asnières-sur-Seine
- €0.5 million to Smart Press Shop GmbH & Co. KG, Stuttgart

In addition, Porsche AG received a capital contribution from Porsche Holding Stuttgart GmbH in 2020 in the amount of €1,028 million (see note [24]). In the prior period, this capital contribution had amounted to €1,273 million.

As of the reporting date there were also loans to non-consolidated subsidiaries amounting to €99 million (prior year: €153 million), to associates amounting to €1 million (prior year: €0 million), to joint ventures amounting to



€1 million (prior year: €0 million) and to Volkswagen AG group companies amounting to €249 million (prior year: €192 million).

The tables below do not include the dividend payments received from the joint ventures and associates amounting to €5 million (prior year: €6 million).

Write-downs of €15 million (prior year: €15 million) were recognized in respect of the outstanding receivables from related parties. Expenses amounting to €7 million (prior year: €1 million) were incurred for this purpose in fiscal year 2020. Collateral in rem provided by Volkswagen AG group companies was recognized in the total amount of €0 million in 2020 (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 in the amount of €1 million (prior year: €2 million). In addition, there were other obligations not recognized in the statement of financial position in 2020 to Volkswagen AG group companies amounting to €110 million (prior year: €92 million), to non-consolidated subsidiaries amounting to €1 million (prior year: €7 million), to joint ventures amounting to €1 million (prior year: €0 million) and to associates amounting to €21 million (prior year: €20 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 liabilities to 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 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	
	2020	2019	2020	2019
Porsche and Piëch families	0	–	0	–
Porsche SE	2	3	0	0
Volkswagen AG – group	3,788	3,670	4,718	5,097
Porsche Holding Stuttgart GmbH	367	368	–	0
Non-consolidated entities	17	28	95	131
Joint ventures	1	1	1	0
Associates	1	1	87	92
Members of the Executive Board and the Supervisory Board Porsche AG	2	2	–	0
Members of the Executive Board and the Supervisory Board Volkswagen AG	0	0	–	0
	<b>4,178</b>	<b>4,073</b>	<b>4,901</b>	<b>5,320</b>

€ million	Receivables		Liabilities	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Porsche and Piëch families	–	–	–	–
Porsche SE	0	0	0	–
Volkswagen AG – group	5,367	2,914	904	1,486
Porsche Holding Stuttgart GmbH	9,961	9,722	2,465	2,133
Non-consolidated entities	114	181	74	33
Joint ventures	1	–	0	–
Associates	2	0	44	44
Members of the Executive Board and the Supervisory Board Porsche AG	–	0	0	1
Members of the Executive Board and the Supervisory Board Volkswagen AG	–	–	–	–
	<b>15,445</b>	<b>12,817</b>	<b>3,487</b>	<b>3,697</b>

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
<b>Non-consolidated subsidiaries</b>	
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
New Horizon GmbH, Berlin	25.65
Cetitec GmbH, Pforzheim	75.00
Dastera Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	94.00
Initium GmbH, Berlin	100.00
serva GmbH, Stuttgart	100.00
Porsche Digital, Inc., Atlanta / GA	100.00
Porsche Design Studio North America, Inc., Beverly Hills / CA	100.00
Porsche Design Great Britain Ltd., London	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
Dalegrid Ltd., Reading	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., Dublin / OH	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 Financial Leasing Ltd., Shanghai	100.00
Porsche Digital China Ltd., Shanghai	100.00
Porsche Digital Croatia d.o.o., Zagreb	50.00

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
<b>Joint ventures</b>	
IONITY Holding GmbH & Co. KG, Munich	20.00
PDB-Partnership for Dummy Technology and Biomechanics GbR, Ingolstadt	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
Material Science Center Qatar GSTP-LLC in Liquidation, Doha	25.00
<b>Associates</b>	
Bertrandt AG, Ehningen	29.10
The Business Romantic Society Verwaltungs GmbH, Berlin	5.14
Fanzone Media GmbH, Berlin	4.99

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	2020	2019
Short-term employee benefits	11.9	18.8
Remuneration based on performance shares	8.8	–
Post-employment benefits	2.6	2.5
	<b>23.3</b>	<b>21.3</b>

Remuneration based on performance shares contains expenses for the performance shares granted to Executive Board members under the modified remuneration system of €8.8 million (prior year: - € million).

There were balances outstanding at the end of the period for short-term and long-term benefits as well as for the fair values of the performance shares granted to the Executive Board members amounting to €18.5 million (prior year: €20.7 million). The post-employment benefits concern the additions to pension provisions for service cost relating to active Executive Board members.

## [41] PERSONNEL EXPENSES

€ million	2020	2019
Wages and salaries	3,356	3,240
Social security contributions, pension and other benefit costs	874	763
	<b>4,230</b>	<b>4,003</b>
<b>Employees (annual average)<sup>1)</sup></b>		
Performance-related wage earners	9,000	8,001
Salaried staff	26,263	25,194
Trainees	756	815
	<b>36,019</b>	<b>34,010</b>

<sup>1)</sup> 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.

## [42] GOVERNMENT GRANTS

Government grants of €38 million (prior year: €0 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 €72 million (prior year: €30 million).

Stuttgart, February 10, 2021

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

The Executive Board

-----  
Dr. Oliver Blume,  
Chairman

-----  
Lutz Meschke,  
Deputy Chairman

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Andreas Haffner

-----  
Detlev von Platen

-----  
Albrecht Reimold

-----  
Uwe-Karsten Städter

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Dr. Michael Steiner

*English-language translation of the German-language independent auditor's report  
(Bestätigungsvermerk des unabhängigen Abschlussprüfers)*

## **Independent Auditor's Report**

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

### **Opinion**

We have audited the consolidated financial statements of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the fiscal year from January 1 to December 31, 2020, the consolidated statement of financial position as of December 31, 2020, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of December 31, 2020 and of its financial performance for the fiscal year from January 1 to December 31, 2020.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements.

### **Basis for the opinion**

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

### **Emphasis of matter paragraph –diesel issue and potential regulatory issues identified**

We refer to the information presented by the Executive Board in the “Litigation” section of the notes to the consolidated financial statements, in which the allegations made and claims asserted against Dr. Ing. h.c. F. Porsche Aktiengesellschaft as well as the significant risks in connection with the diesel issue and additional potential regulatory issues identified are explained.

The provisions for warranty claims and legal risks recognized in the consolidated financial statements of Dr. Ing. h.c. F. Porsche Aktiengesellschaft as of December 31, 2020 in connection with the diesel issue as well as additional potential regulatory issues identified are based on the information presented by the executive directors of Dr. Ing. h.c. F. Porsche Aktiengesellschaft. Due to the uncertainties necessarily associated with pending and expected litigation, it cannot be ruled out that the risk estimation presented there by the executive directors of Dr. Ing. h.c. F. Porsche Aktiengesellschaft could change in the future.

Our opinion on the consolidated financial statements has not been modified in this respect.

### **Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements**

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of this system;
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures;
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, February 10, 2021

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Matischiok  
Wirtschaftsprüfer  
[German Public Auditor]

Koch  
Wirtschaftsprüfer  
[German Public Auditor]