PORSCHE SE

Annual Report 2008/09

		1999/00 HGB	2000/01 HGB	2001/02 HGB	2002/03 HGB	2003/04 IFRS	2004/05 IFRS	2005/06 IFRS	2006/07 IFRS	2007/08 IFRS	2008/09 IFRS	
Revenue	**€ million**	**3,648**	**4,441**	**4,857**	**5,583**	**6,148**	**6,574**	**7,273**[2]	**7,368**	**7,466**	**57,081**	**Revenue**
Domestic	€ million	893	1,001	1,121	1,483	1,214	1,267	1,234	1,326	1,365	16,328	Domestic
Export	€ million	2,755	3,440	3,736	4,100	4,934	5,307	6,039	6,042	6,101	40,753	Export
Vehicle sales (new cars) total	**units**	**48,797**	**54,586**	**54,234**	**66,803**	**76,827**	**88,379**	**96,794**	**97,515**	**98,652**	**3,082,837**	**Vehicle sales (new cars) total**
Vehicle sales (new cars) Volkswagen subgroup	**units**	–	–	–	–	–	–	–	–	–	**3,007,599**	**Vehicle sales (new cars) Volkswagen subgroup**
Vehicle sales (new cars) Porsche subgroup	**units**	**48,797**	**54,586**	**54,234**	**66,803**	**76,827**	**88,379**	**96,794**	**97,515**	**98,652**	**75,238**	**Vehicle sales (new cars) Porsche subgroup**
Domestic Porsche	units	11,754	12,401	12,825	13,896	12,176	13,902	13,921	14,314	13,524	12,291	Domestic Porsche
Export Porsche	units	37,043	42,185	41,409	52,907	64,651	74,477	82,873	83,201	85,128	62,947	Export Porsche
911	units	23,050	26,721	32,337	27,789	23,704	27,826	34,386	37,415	31,423	27,070	911
Boxster/Cayman[3]	units	25,747	27,865	21,897	18,411	12,988	18,009	27,906	26,146	21,747	13,140	Boxster/Cayman[3]
Cayenne	units	–	–	–	20,603	39,913	41,884	34,134	33,943	45,478	34,265	Cayenne
Panamera	units	–	–	–	–	–	–	–	–	0	763	Panamera
Carrera GT & RS Spyder	units	–	–	–	–	222	660	368	11	4	0	Carrera GT & RS Spyder
Production total	**units**	**48,815**	**55,782**	**55,050**	**73,284**	**81,531**	**90,954**	**102,602**	**101,844**	**105,162**	**2,899,388**	**Production total**
Production Volkswagen subgroup	**units**	–	–	–	–	–	–	–	–	–	**2,822,649**	**Production Volkswagen subgroup**
Production Porsche subgroup	**units**	**48,815**	**55,782**	**55,050**	**73,284**	**81,531**	**90,954**	**102,602**	**101,844**	**105,162**	**76,739**	**Production Porsche subgroup**
911	units	22,950	27,325	33,061	29,564	26,650	28,619	36,504	38,959	34,303	27,776	911
Boxster/Cayman[3]	units	25,865	28,457	21,989	18,788	13,462	20,321	30,680	26,712	22,356	14,403	Boxster/Cayman[3]
Cayenne	units	–	–	–	24,925	41,149	41,299	35,128	36,169	48,497	32,640	Cayenne
Panamera	units	–	–	–	–	–	–	–	–	3	1,920	Panamera
Carrera GT & RS Spyder	units	–	–	–	7	270	715	290	4	3	0	Carrera GT & RS Spyder
Employees (at year-end)	**number**	**9,320**	**9,752**	**10,143**	**10,699**	**11,668**	**11,878**	**11,384**	**11,571**	**12,202**	**375,959**	**Employees (at year-end)**
Personnel expenses	€ million	631	710	799	850	950	965	1,037	1,264	1,359	9,038	Personnel expenses
Financials												**Financials**
Total assets	€ million	2,205	2,892	5,409	6,315	9,014	9,710	14,641	23,332	45,577	213,565	Total assets
Shareholders' equity	**€ million**	**782**	**1,053**	**1,467**	**1,755**	**2,921**	**3,420**	**5,338**	**9,481**	**16,846**	**48,479**	**Shareholders' equity**
Fixed assets	€ million	578	732	2,208	2,663	2,380	2,428	5,681	9,760	11,168	85,066	Fixed assets
Capital expenditures	€ million	244	294	1,120	1,295	1,111	919	4,083	3,881	1,383	22,410	Capital expenditures
Depreciation	€ million	197	133	279	392	382	511	489	532	569	6,169	Depreciation
Income before tax	**€ million**	**434**	**592**	**829**	**933**	**1,137**	**1,238**	**2,110**[2]	**5,857**	**8,569**	**-4,405**	**Income before tax**
Net income	€ million	210	271	462	565	690	779	1,393[2]	4,242	6,392	-3,578	Net income
Dividends paid in total	**€ million**	**26**	**45**	**297**	**59**	**70**	**87**	**157**	**385**	**472**	**8**	**Dividends paid in total**
Dividends per share[1]												Dividends per share[1]
Ordinary share	€	0.148	0.254	0.294+1.40	0.334	0.394	0.494	0.594+0.30	0.694+1.50	0.694+2.00	0.044	Ordinary share
Preference share	€	0.153	0.26	0.300+1.40	0.34	0.4	0.5	0.600+0.30	0.700+1.50	0.700+2.00	0.050	Preference share
Earnings per ordinary share[1]	€	–	–	–	–	3.963	4.468	7.81	23.98	35.943	-14.455	Earnings per ordinary share[1]
Earnings per preference share[1]	€	–	–	–	–	3.969	4.474	7.822	23.986	35.949	-14.455	Earnings per preference share[1]

1) The years up until 2007/08 have been adjusted according to the share split in fiscal year 2000/01 and 2007/08.
2) Incl. figures from discontinued operations of CTS group
3) Cayman from fiscal year 2005/06

PORSCHE SE

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Dear shareholders,

The last weeks and months of the fiscal year 2008/09 were not without drama – and that is putting it mildly. They will certainly be remembered as the most turbulent and exciting times in the history of Porsche. Many things came at once this year: the acquisition of the majority of VW ordinary shares, a global economic slump, the global credit crisis, the entry of the Emirate of Qatar at Porsche, and finally the decision to hammer out a basic agreement with Volkswagen to lay the foundation for merging the two companies. The agreement paves the way for the parties involved – the new executive board of Porsche Automobil Holding SE (Porsche SE), the executive board of Volkswagen AG, the shareholders of Porsche, the State of Lower Saxony, and the employee representatives of both companies – to create an integrated automotive group and a successful future for both companies.

This basic agreement will create the conditions for merging Porsche SE and Volkswagen AG in stages. These include the holding of Volkswagen in Porsche AG and a debt relief plan for Porsche SE. The goal of the merger is not just to ensure that the sum is more than the parts, but that the new group also spearheads progress in terms of technological competence and quality, raising the benchmark in each of its respective market segments.

We, the executive board, of Porsche SE are justified in claiming that the agreements entered into, which provide for a wide scale relief from debt and the avoidance of the risks associated with stock options, have laid the groundwork needed to reach our goal. This includes winning the Emirate of Qatar as a new shareholder, which has acquired ten percent of the ordinary shares in Porsche SE and a significant portion of the cash settled options to VW shares. For its part, Volkswagen will hold 49.9 percent of Porsche AG. Thereafter, our existing credit lines will be replaced by a new agreement that provides both longer terms and significantly better conditions. The next step will be an extraordinary meeting of the shareholders of Porsche SE to vote on the capital increase already announced. If approved by the shareholders, this will allow us to reach our common goal in the course of 2011: the merger of Porsche SE, by that stage generally debt free, and Volkswagen AG. The integrated automotive group that will be created by these moves will have a sound shareholder structure and financial base and this will provide the foundation for long-term success in the global markets.

The integrated automotive group comprising Porsche and Volkswagen will not only cover all major market segments ranging from small cars to sports cars and luxury sedans, but will also possess enormous potential for innovation. Porsche and Volkswagen will open up new fields for intensive cooperation that both companies will profit from. It was never doubted, even in the turbulent days of this year, that the basic logic underlying a merger of Porsche and Volkswagen made sound business sense. After all, both companies have already been cooperating successfully for years. We plan to intensify that cooperation, which began with Porsche's development of the platform shared by the Cayenne, the VW Touareg and the Audi Q7, and is now being continued with the Panamera and hybrid drive systems.

In future, by developing modules together that can be used by all brands held by the group, including Porsche, we will be able to lower development expenses per vehicle. This applies, for example, to automotive electronics, which require intensive research. Additional shared platforms are conceivable. New models and series that are easier, and, more importantly, more cost efficient to realize in the group will open up new potential for the group's brands to grow profitably.

Finally, the integrated automotive group will be in an excellent position to introduce alternative drive technologies. Reducing the carbon footprint of individual mobility is one of the greatest challenges facing the entire automotive industry. Not only are laws and regulations becoming progressively stricter but the mindset of customers is changing too. For this reason, our new generation of sports cars features more than just improved performance. They also feature lower consumption and CO_2 emissions than their predecessors, significantly so in some cases. Only in this way will we enjoy the social acceptance that is so vital to a brand like Porsche.

Porsche will already offer a hybrid version of its sports offroader, the Cayenne, in 2010, with the Panamera following soon after. And one day, a fully electric sports car could leave the factory in Zuffenhausen. The trend to drive technologies with lower carbon emissions will not stop, even if this development demands major financial and technical investments. If Porsche and Volkswagen make even more efficient use of their existing resources from this aspect as well, then we are convinced that the new group will occupy a leading position in the respective market segments in terms of environmental protection.

However, one point will not be sacrificed in the evolution towards an integrated automotive group: the independence of Porsche. We are a proud company with a long tradition and enormous powers of innovation. In 2009 we celebrated the centenary of Ferry Porsche, who founded the Porsche brand in Austria in 1948 with the construction of the company's first sports car. His conviction has become the philosophy of the company which will continue to inspire engineers, technicians and designers in future: "Porsche can build anything. The product just has to be better than anything comparable to it." At our new museum in Stuttgart it is possible to trace how this spirit is reflected in the technical performance of each of the sports cars manufactured over the decades.

In future, Porsche will retain this degree of independence as this is a critical element in producing innovative sports cars that win the hearts of even the most discerning customers. Our colleagues in Wolfsburg want Porsche to be a strong, highly profitable company offering jobs with a promising future. The merger has nothing to do with leveling different cultures. Volkswagen has already proven this convincingly in the past: Audi is different to Bentley or Škoda, yet all are unmistakably positioned as brands of the group.

The fact that Porsche will enter the integrated automotive group as a strong and successful company will benefit our partners too. Our declared goal is to retain as much as possible of what makes this company so special: short communication paths, rapid, courageous decisions, and the team spirit that pervades management, the employee representatives and the workforce – but most of all our fascinating products.

The Porsche brand is famous for high-performance exclusive premium class vehicles that find enthusiastic customers and fans all over the world. The 911 is still seen as the defining sports car. During the reporting year, and in the past weeks, we have enhanced the 911 with a new generation that includes additional models. A diesel engine is now available for the Cayenne and this has met with an excellent response on the corresponding European markets. Porsche has also released a new generation of its mid-engine sports cars, the Boxster and Cayman, and now offers a completely new variant, the Boxster Spyder.

At Porsche AG, the highlight of the fiscal year 2008/09 was without a doubt, the global premiere of the Panamera in April 2009 in Shanghai. By launching its fourth series, which combines top-of-the-range sports handling and the spaciousness of a limousine, the company addresses totally new markets, as it also did with the Cayenne. The first sales in Europe and North America are very promising. The Gran Turismo fits the times perfectly, dominated as they are by the trend towards more environmentally friendly cars. Due to its use of lightweight components and innovative technologies, the Panamera displays consumption figures that set a new benchmark in the premium segment.

Porsche has been extremely successful at pursuing its strategy of constructing high-performance sports cars and gaining social acceptance at the same time. Although, like the other players on the market, we were unable to escape the worldwide collapse in demand for passenger cars in fiscal year 2008/09, suffering a painful drop in unit sales for the first time in many years, Porsche AG has nevertheless come through the crisis more or less unscathed. Its operating business is once again displaying a double digit return on sales which compares favorably to many other manufacturers who are recording massive losses.

The fiscal year 2008/09 was a turbulent one for Porsche, with some dramatic turns of events. However, we have exploited this phase to reform and find a new direction. We are on the right track. All systems are go. We are perfectly prepared. Together, the opportunities open to Porsche and Volkswagen are better than ever.

Michael Macht

Member of the executive board

Thomas Edig

Member of the executive board

Company boards of Porsche Automobil Holding SE

Members of the supervisory board

Dr. Wolfgang Porsche
Diplom-Kaufmann
Chairman

Uwe Hück*
Deputy chairman
Deputy chairman of the
Porsche Automobil Holding SE
works council
Chairman of the general and
group works council of
Dr. Ing. h.c. F. Porsche AG
Chairman of the works council
Zuffenhausen and Ludwigsburg

Hans Baur*
Diplom-Ingenieur
Trade union secretary

Berthold Huber*
(from 30 January 2009)
1st Chairman of IG-Metall

Prof. Dr. Ulrich Lehner
Member of the shareholders' committee
of Henkel AG & Co. KGaA

Peter Mosch*
(from 30 January. 2009)
Member of the
Porsche Automobil Holding SE
works council
Chairman of the AUDI AG
general works council

Bernd Osterloh*
(from 30 January 2009)
Chairman of the
Porsche Automobil Holding SE
works council
Chairman of the general and group
works council of Volkswagen AG

Hon.-Prof. Dr. techn. h.c.
Ferdinand K. Piëch
Diplom-Ingenieur ETH

Dr. Hans Michel Piëch
Attorney at law

Dr. Ferdinand Oliver Porsche
Investment management

Hans-Peter Porsche
Engineer

Werner Weresch*
Member of the
Porsche Automobil Holding SE
works council
Member of the
Dr. Ing. h.c. F. Porsche AG
works council

Wolfgang Leimgruber*
(until 30 January 2009)
Head of body shell and paint shop

Hansjörg Schmierer*
(until 30 January 2009)
Trade union secretary

Walter Uhl*
(until 30 January 2009)
Member of the
Porsche Automobil Holding SE
works council
Chairman of the Weissach
works council

Members of the executive board

Michael Macht (from 23 July 2009)
Diplom-Ingenieur
General technical product issues
Chief Executive Officer of
Dr. Ing. h.c. F. Porsche AG
(since 23 July 2009)

Thomas Edig (since 23 July 2009)
Diplom-Betriebswirt (BA)
Commercial and administrative issues
Deputy chairman of
the executive board of
Dr. Ing. h.c. F. Porsche AG
(since 23 July 2009)

Dr.-Ing. Wendelin Wiedeking
(until 23 July 2009)
Chairman
Chief Executive Officer of
Dr. Ing. h.c. F. Porsche AG
(until 23 July 2009)

Holger P. Härter
(until 23 July 2009)
Diplom-Volkswirt
Finance
Deputy chairman
Deputy chairman of
the executive board of
Dr. Ing. h.c. F. Porsche AG
(until 23 July 2009)

* Employee representative

As of: 31 July 2009 or as of the day on which the member left the supervisory board of Porsche Automobil Holding SE

Report of the supervisory board

Ladies and Gentlemen:

The fiscal year 2008/09 was a special year for Porsche Automobil Holding SE, and a difficult one. Whereas in the first half of the fiscal year, the investment in Volkswagen AG was gradually stepped up to 50.76 percent of the ordinary shares, the main events in the second half of the year were the refinancing of the syndicated loan of ten billion Euros, negotiations with the Emirate of Qatar as a potential strategic investor, and the creation of an integrated automotive group with Volkswagen AG at its centre. On account of differences of opinion between the executive board and the supervisory board on the future strategic alignment of Porsche Automobil Holding SE towards year-end, the supervisory board reached an agreement on the departure of the long-term executive board members Dr. Wiedeking and Mr. Härter on 23 July 2009.

Throughout the fiscal year the supervisory board also discussed the economic and financial situation, including in particular the liquidity situation of Porsche Automobil Holding SE and its affiliates pursuant to Sec. 15 AktG ("Aktiengesetz": German Stock Corporations Act), and complied with the advisory and oversight functions imposed on it by the law and the articles of association.

The supervisory board held six ordinary and four extraordinary meetings. All members of the supervisory board attended more than half of the meetings. Moreover, there was full attendance at seven of the meetings of the supervisory board. If unable to attend meetings, the supervisory board members sometimes participated in the resolutions by casting votes in writing.

Cooperation between the supervisory board and the executive board
The above-mentioned events and developments in the fiscal year 2008/09 – especially with the difficult refinancing of the syndicated loan of ten billion Euros – meant that the supervisory board further intensified its advisory and supervisory activities compared to the prior year. This is reflected in particular by the increase in the number of meetings. Between the individual meetings of the supervisory board, members of the supervisory board held talks with members of the executive board. In the reporting year, the chairman of the supervisory board was also continually in contact with the executive board and its chairman in particular. As part of its advisory and oversight functions, the supervisory board was kept informed throughout the fiscal year of the situation of the company, business development and business policy, as well as its financial development, including the development of liquidity, by means of written and verbal reports from the executive board, and in joint meetings. The supervisory board examined the main planning and decision-making documents submitted to it and satisfied itself that these were correct and adequate. It reviewed and discussed all the reports and documents presented to the extent required and posed any questions as they arose.

The supervisory board examined fundamental issues of corporate planning, in particular financial, liquidity, investment and human resources planning. After a thorough examination, the supervisory board approved all matters presented to it by the executive board for approval in accordance with the articles of association or the rules of procedure of the executive board. Issues requiring the supervisory board's approval were the preparations made to raise capital by at least five billion Euros and thus to create the conditions required by an integrated automotive group and the voting behaviour of Porsche Automobil Holding SE in the supervisory board elections at the Volkswagen AG annual general meeting. The supervisory board monitored that the executive board duly conducted the company's business and took all the necessary measures in good time and effectively. This also applies to appropriate risk provisioning and compliance. The supervisory board also monitored that the executive board took the measures for which it is responsible pursuant to Sec. 91 (2) AktG and that the risk monitoring system prescribed therein works effectively.

Significant issues addressed by the supervisory board in the fiscal year 2008/09

At the first meeting in the fiscal year 2008/09, which was held on 9 September 2008, the supervisory board addressed the status and progress of the shareholding in Volkswagen AG. On 20 October 2008, an extraordinary meeting of the supervisory board was held to discuss the further strategy of Porsche Automobil Holding SE, particularly with regard to Volkswagen AG. At this meeting, the supervisory board confirmed that it unconditionally supported the moves made by the executive board. On 7 November 2008 the supervisory board addressed the ratification of the financial statements for the fiscal year 2007/08 and the agenda for the annual general meeting on 30 January 2009. At the meeting of the supervisory board on the day prior to the annual general meeting, the executive board reported on the business position and, according to the report of the executive board, positive status of discussions on refinancing the syndicated loan of ten billion Euros, which was due to expire at the end of March 2009. Due to the fact that the office of the members of the first supervisory board of Porsche Automobil Holding SE were due to expire at the end of the annual general meeting, the newly appointed supervisory board met at its founding meeting directly after the annual general meeting. At the meeting, Dr. Wolfgang Porsche was elected chairman and Mr. Uwe Hück was elected deputy chairman of the supervisory board.

At the extraordinary meeting on 24 March 2009 the supervisory board was informed exclusively of the latest status of the negotiations on refinancing the syndicated loan of ten billion Euros. Prior to the negotiations, the executive board was always optimistic that it could arrange suitable refinancing of the syndicated loan at acceptable terms and conditions. The syndicated loan was repaid on 24 March 2009 using a new syndicated loan of ten billion Euros, which could have been increased to up to 12.5 billion Euros for a finite period in accordance with the contractual regulations (“new syndicated loan”). In light of the tough negotiations and the difficulties experienced by the wider market in the wake of the most severe global financial crisis in about 80 years, the supervisory board passed a resolution to tighten the existing risk management system, particularly with regard to the management of finances and investment holdings, and to make use of its right of inspection under Sec. 111 (2) AktG. For this purpose, KPMG AG Wirtschafts-prüfungsgesellschaft was appointed by the supervisory board as an external expert to review the financing and liquidity situation and the structure of the options in the group.

At a further extraordinary meeting on 30 March 2009, the supervisory board discussed the six-monthly financial report and the interim condensed consolidated financial statements as of 31 January 2009. In addition, the supervisory board was informed in detail by the executive board of the status of the negotiations on the refinancing package and the terms and conditions required as well as the key points of the new syndicated loan. Moreover, the supervisory board analyzed in depth the liquidity position and liquidity planning of Porsche Automobil Holding SE as well as its net indebtedness. The supervisory board requested the executive board to keep it constantly informed of the status of the planned increase in the new syndicated loan to 12.5 billion Euros.

At the following meeting of the supervisory board on 16 April 2009, the representatives of KPMG AG Wirtschaftsprüfungsgesellschaft reported on the financing, the option structures and the liquidity position and cash planning of the company and responded to the questions posed by the members of the supervisory board. The audit performed by KPMG AG Wirtschafts-prüfungsgesellschaft did not give rise to any objections. Thereafter, the supervisory board examined in depth the business position and financial position of the company.

A further extraordinary meeting of the supervisory board was held on 22 July 2009, lasting through to the morning of 23 July 2009. Initially, the supervisory board was informed of the financial situation at the company. Thereafter, the supervisory board discussed the status and contents of the negotiations with Volkswagen and potential investors, among them in particular Qatar Holding LLC. The effects of the various strategies reviewed by the executive board on the situation and in particular on the liquidity planning and debt servicing plans of the company were discussed in detail at the meeting. As the outcome of the meeting, the supervisory board asked the executive board to close the deal on an investment agreement with Qatar Holding LLC, which, in addition to the sale of options for VW shares, also involved the addition of Qatar Holding LLC to the new syndicated loan. Moreover, the supervisory board approved the proposal submitted by the executive board to prepare a capital increase of at least five billion Euros to create the foundation needed by an integrated automotive group together with VW. The supervisory board was of the opinion that the standalone concept proposed by the executive board in spite of the difficult economic position of the company was not adequately secure. After further intensive discussion, the board came to an agreement with Dr. Wendelin Wiedeking and Mr. Holger P. Härter on the terms of their dismissal from the executive board due to differences of opinion between the executive board and the supervisory board on the future strategic alignment of Porsche Automobil Holding SE. Mr. Michael Macht and Mr. Thomas Edig were appointed new members of the executive board of the company.

At the last meeting of the supervisory board in the fiscal year 2008/09, which was held on 29 July 2009, the supervisory board addressed the negotiations with Volkswagen AG on the conclusion of a basic agreement to create an integrated automotive group. Thereafter, the supervisory board discussed the status of the negotiations with Qatar Holding LLC. Other points on the agenda included the balance sheets of the subgroups of the company as of 30 June 2009. This involved a discussion of the liquidity planning until the end of the fiscal year 2009/10.

Executive committee

The supervisory board has formed an executive committee that was responsible in the fiscal year 2008/09 for concluding, amending and canceling the employment agreements of the executive board members and for any transactions requiring the approval of the supervisory board in urgent cases. No other committees were established.

The executive committee comprises the chairman of the supervisory board, his deputy and a shareholder representative and employee representative elected from the supervisory board. Dr. Hans Michel Piëch was reelected as a shareholder representative at the founding meeting of the supervisory board on 30 January 2009. At this meeting, Mr. Bernd Osterloh was elected onto the executive committee as an employee representative. He follows Mr. Hans Baur, who had been the employee representative on the executive committee until that date. Moreover, Dr. Wolfgang Porsche, the chairman of the supervisory board, and his deputy, Mr. Uwe Hück, also sit on the executive committee. The executive committee met eight times. It was not necessary to convene the mediation committee. The full supervisory board was regularly informed of the work of the executive committee.

Corporate governance

The supervisory board and the executive board have again discussed the recommendations and suggestions of the German corporate governance code in depth and issued a declaration of compliance pursuant to Sec. 161 AktG, which was made permanently available to the shareholders on the website www.porsche-se.com. An unabridged version of the declaration of compliance is presented in the corporate governance report as part of the annual report 2008/09. The supervisory board is reviewing the efficiency of its activities as part of its self-assessment.

In dealing with conflicts of interest the supervisory board applied the same principles as in the past: For each point on the agenda and in particular prior to passing resolutions, the members of the supervisory board of Porsche Automobil Holding SE determine whether there are any conflicts of interest. This applies especially for those members who are also members of the supervisory board of Volkswagen AG. Wherever there is any indication of a possible conflict of interest, the respective members leave the meeting room during the discussion of a resolution or refrain from casting a vote accordingly.

Audit of the separate financial statements and consolidated financial statements for the fiscal year 2008/09

The financial statements of Porsche Automobil Holding SE prepared by the executive board and the consolidated financial statements for fiscal 2008/09, together with the bookkeeping system and the combined management report and group management report have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. The auditors have not raised any objections and have confirmed this by rendering an unqualified audit opinion.

The loss before tax of the Porsche group came to 4.4 billion Euros in the fiscal year 2008/09. The Porsche group's loss after tax amounted to 3.6 billion Euros. Whereas the Porsche subgroup and the Volkswagen subgroup generated positive results from operations, the group's earnings were influenced by two significant negative effects. On the one hand, a net expense of 2.5 billion Euros was incurred in the fiscal year as a result of marking to market the options for shares in Volkswagen AG, which are structured as cash settled options. On the other, the roll-forward of hidden reserves identified in the course of the purchase price allocation for the Volkswagen group on 5 January 2009 gave rise to an additional loss of approximately 3.0 billion Euros.

In consultation with the supervisory board, the end-of-year audit focused on the initial consolidation of the Volkswagen group. Important topics in this regard involved the purchase price allocation on the date of initial consolidation and the subsequent consolidation up until balance sheet date as well as the application of uniform accounting policies. During the audit, the liquidity planning of the Porsche group – excluding the Volkswagen group – was examined with regard to future financing requirements and the measures initiated to refinance the group. The audit of the financial statements included a review of the measures of the executive board for the early detection of risks that could jeopardize the profitability and the continued existence of the company as a going concern.

Based on the findings of the audit, the external auditor came to the conclusion that the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB, and that the separate financial statements comply with requirements of German commercial law respectively, and that both sets of financial statements give a true and fair view of the net assets, financial position and results of operations of the group, and the company respectively, in accordance with these requirements. Moreover, the auditor found that the (group) management report is consistent with the consolidated financial statements and separate financial statements, and, as a whole, provides a suitable view of the position of the group and the company, and suitably presents the opportunities and risks of future development. Based on the assessment of the independent auditor, the risk early warning system established at the level of Porsche AG and Volkswagen AG for the Porsche and Volkswagen subgroups respectively, and the risk early warning system, which Porsche Automobil Holding SE established for the Porsche group as a whole, meet the legal requirements of Sec. 91 (2) AktG.

The financial statements of Porsche Automobil Holding SE, the consolidated financial statements and the combined management report and group management report, on which Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, has rendered an unqualified audit opinion, as well as the audit reports of the auditors of the financial statements and the proposal of the executive committee on the appropriation of retained earnings were made available in a timely manner to the supervisory board for review. The supervisory board conducted a detailed review of the documents presented pursuant to Art. 9 (1) c (ii) Council Regulation (EC) No. 2157/2001 and Sec. 170 (1) and 2 AktG as well as the audit reports of the auditors of the financial statements. The audit also covered the market valuation of the options for shares in Volkswagen AG, which are structured as cash settled options, the liquidity situation and the risk early warning system of Porsche Automobil Holding SE as well as the possible date of deconsolidation of Volkswagen AG due to the plans to incorporate a right of the State of Lower Saxony to appoint two members to the supervisory board in the articles of association of Volkswagen AG. The supervisory board agrees with the audit findings of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. Subsequent to its own reviews, the supervisory board has found that no objections can be raised. The supervisory board has approved the financial statements and the consolidated financial statements for the fiscal year 2008/09. The annual financial statements are therewith ratified. The supervisory board has declared that it agrees with the management report of the executive board. The supervisory board agrees to the proposal of the executive board on the appropriation of retained earnings.

The representatives of the auditors attended the meeting of the supervisory board on 12 November 2009 at which the financial statements were approved and ratified and the consolidated financial statements were ratified. They contributed to the relevant points on the agenda and reported on the significant findings of their audit of the financial statements and consolidated financial statements. In particular, the representatives of the auditors commented on the net assets, financial position and results of operations of Porsche Automobil Holding SE and were available to the supervisory board to provide any additional information. At the meeting, the supervisory board discussed the results of the audit, in particular regarding the marking to market of the options for shares in VW, which are structured as cash settled options, as well as the company's liquidity situation.

In accordance with, Art. 9 (1) c (ii) Council Regulation (EC) No. 2157/2001 and Sec. 312 AktG the executive board has prepared a report on related companies (dependent company report) for the fiscal year 2008/09. The auditors have audited the dependent company report and have rendered the following audit opinion:

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

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

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

The dependent company report, together with the audit report of the auditor of the financial statements, were provided to the supervisory board in a timely manner and discussed in deta at the meeting of the supervisory board on 12 November 2008 and reviewed with regard t completeness and accuracy in particular. Representatives of the auditors participated in this meeting, reported on the significant findings of the audit and were available to the supervisory board to provide additional information. According to the concluding results of its own review, there were no objections to raise with respect to the closing declaration of the executive board in the dependent company report.

Composition of the supervisory board and executive board

The annual general meeting on 30 January 2009 elected all shareholder representatives to the supervisory board for a further full term. At the end of the annual general meeting, Messrs. Wolfgang Leimgruber, Hansjörg Schmierer and Walter Uhl retired as employee representatives from the supervisory board. Mr. Bernd Osterloh, Bertholt Huber and Peter Mosch were appointed in their place.

As already mentioned, the board reached an agreement with Dr. Wendelin Wiedeking and Mr. Holger P. Härter on 23 July 2009 on their dismissal from the executive board. Mr. Michael Macht, who is responsible for technology and products, and Mr. Thomas Edig were appointed as new members of the executive board of the company. Mr. Edig is responsible for commercial issues and administration.

Thank you

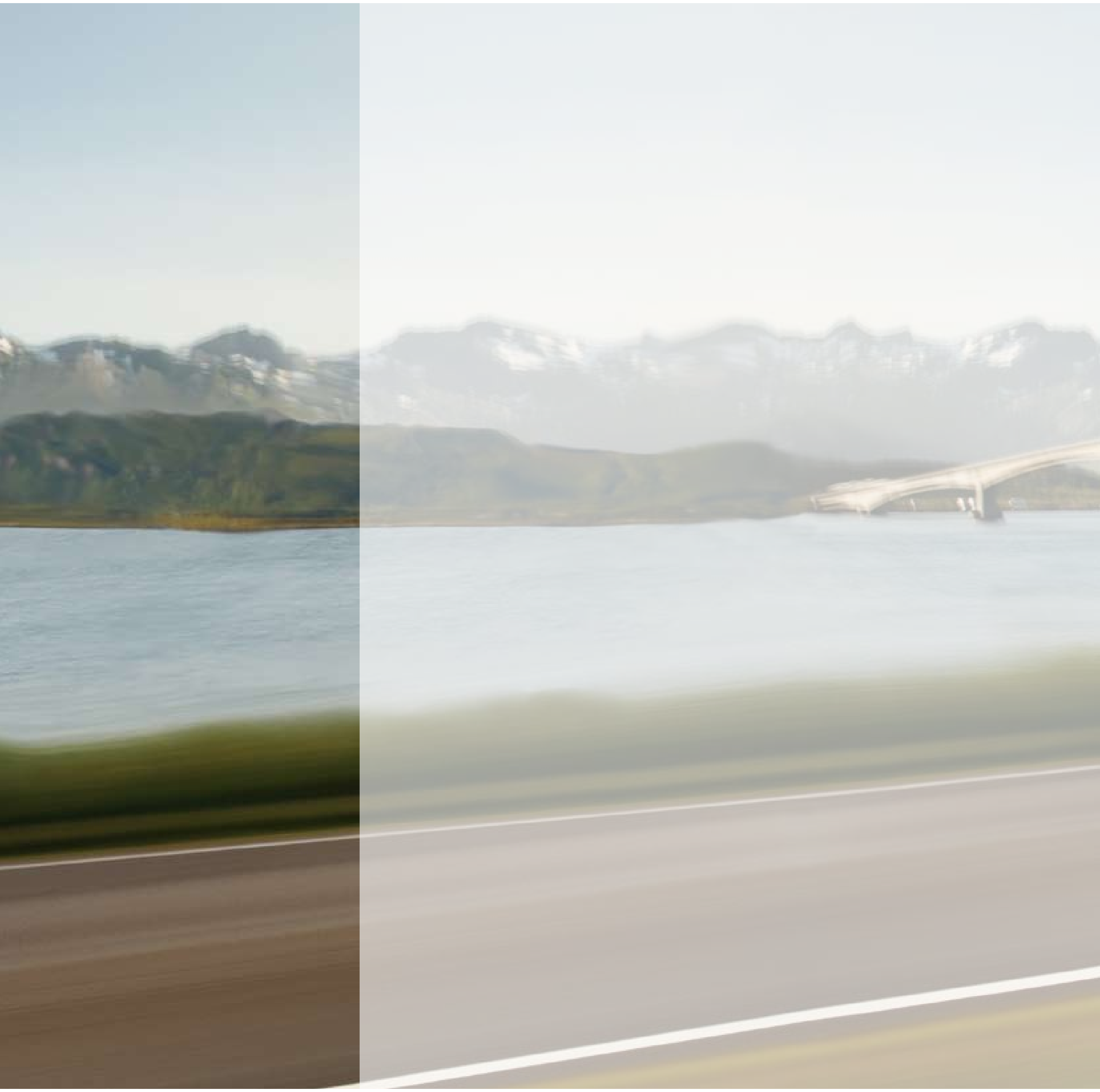
The supervisory board expresses its gratitude to the retiring members of the supervisory board, the employees' elected representatives, the management and all employees in acknowledgement of their dedicated work in the past fiscal year.

Stuttgart, 20 November 2009

Wolfgang Porsche

Supervisory board
Dr. Wolfgang Porsche
Chairman

Group management report and management report of Porsche Automobil Holding SE



Group management report and management report of Porsche Automobil Holding SE

Recent developments

Michael Macht and Thomas Edig's appointment to the helm of Porsche AG marks the beginning of a new era for the Stuttgart-based automobile manufacturer. Michael Macht, who for many years served as head of production and logistics, has been made a member of the executive board of Porsche SE, and CEO of Porsche AG. Thomas Edig has been made board member at Porsche SE and Mr. Macht's deputy at Porsche AG, where he is also responsible for HR and social issues and functions as labor director. Macht's successor as head of production is Wolfgang Leimgruber, who was previously responsible for the body shell and paint shops. At Porsche SE, Michael Macht is responsible for technology and products, while Thomas Edig heads the commercial and administrative side.

On 23 July 2009, the supervisory board of Porsche Automobil Holding SE ("Porsche SE") reached an agreement on the departure of the long-term executive board members Dr. Wendelin Wiedeking and Holger P. Härter. Both men also resigned from their posts on the supervisory boards of Volkswagen AG and AUDI AG.

Prof. Dr. Martin Winterkorn will be made the new CEO of Porsche SE following the approval of the supervisory boards of Porsche SE and Volkswagen AG. The CEO of Volkswagen AG will assume this position as soon as the specifics of the implementing agreements governing the individual steps of the combination of Porsche SE and Volkswagen AG have been clarified. On the same day, Hans Dieter Pötsch, CFO of Volkswagen AG, will be made a member of Porsche SE's executive board. Both men will perform their new functions in addition to their current roles on the executive board of Volkswagen. Prof. Dr. Winterkorn has been the CEO of Volkswagen AG's executive board since 2007, while Hans Dieter Pötsch has been CFO of the Wolfsburg-based automotive group since 2003.

By making these appointments, the supervisory board of Porsche SE has paved the way for the conclusion of a basic agreement that signals the creation of an integrated automotive group with Volkswagen AG. The agreement, which was negotiated between the board members of Porsche SE and Volkswagen AG, the workforce representatives of both companies and the ordinary shareholders of Porsche SE, was ratified by the supervisory boards at their meetings on 13 August 2009 and 11 September 2009, and still requires notarization among other things in order to become effective.

The basic agreement contains the following concrete steps: First, Volkswagen AG acquires a 42 percent share in Porsche AG, a wholly-owned subsidiary of Porsche SE. The investment takes the form of a cash contribution to capital via a newly created holding company with total income of up to 3.3 billion Euro on the basis of a valuation of Porsche AG that places its value at 12.4 billion Euro. This holding serves on the one hand to safeguard Porsche AG as an independent stock corporation based in Stuttgart-Zuffenhausen. On the other hand, it allows Volkswagen AG to take a share in the company.

In the next step, a capital increase will be effected at Volkswagen AG in the first half of 2010 by means of the issuance of new preference shares, with the consent of Porsche SE. This is then to be followed by a capital increase at Porsche SE, planned for the first half of 2011. The common objective i.e. the merger between Porsche SE and Volkswagen AG will then be implemented in the further course of 2011. The legal requirements must of course be in place by this time.

In the event that the merger does not take place, the basic agreement provides that Porsche SE has a put option for the remaining 58 percent share in the newly formed holding company, and Volkswagen AG a call option for this share. As a modification to the basic agreement, it is planned in a first step for Volkswagen AG to take a 49.9 percent share in the new holding company (instead of 42 percent) by means of a cash capital increase in return for a capital contribution of 3.9 billion Euro (instead of 3.3 billion Euro). This reduces the put and call options accordingly.

The conclusion of the basic agreement is also necessary for the completion of the ongoing negotiations between Porsche SE and the financing banks on the termination of the previous syndicated loan. Porsche SE is seeking to improve its loan conditions. This concerns both a prolongation of the loan and a reduction of the borrowing costs.

In addition to this timeline, the basic agreement also provides for a number of other points. These include the right of the shareholders of Porsche Gesellschaft m.b.H., Salzburg to sell that company's sales operations to Volkswagen AG. Moreover, the following resolutions on the articles of association will be submitted to the next general meeting of Volkswagen AG, which is scheduled for 3 December 2009 (and 4 December 2009 if necessary) for voting: Firstly, the German Federal State of Lower Saxony is to be granted the right, as a Volkswagen shareholder, to appoint two members of the Volkswagen supervisory board provided the state's share of Volkswagen AG's ordinary shares is at least 15 percent. The planned amendment to the articles of association of Volkswagen AG with regard to this right would prevent the inclusion by way of full consolidation of the Volkswagen subgroup (Volkswagen AG and its subsidiaries) in the consolidated financial statements of Porsche SE. The resulting deconsolidation would not affect liquidity, but would still have a lasting impact on Porsche SE's consolidated financial statements. Secondly, the general meeting of Volkswagen AG will vote on the ratification of a provision requiring a majority of more than 80 percent of the capital stock of the company represented at the meeting for resolutions requiring a majority of 75 percent in accordance with the German Stock Corporation Act .

The basic agreement also contains the provision that no profit and loss transfer and domination agreement may be concluded between Porsche SE and Volkswagen AG until 2020. The requirements for the enforcement of the basic agreement include the consent of the financing syndicate of banks at Porsche SE, as well as decisions on outstanding structural issues.

As a further step on the path to an integrated automotive group, Porsche Automobil Holding SE for the first time has an investor holding ordinary shares that is not associated with either the Porsche or Piëch families, namely Qatar Holding LLC. On 14 August 2009, the chairman of the supervisory board of Porsche SE, Dr. Wolfgang Porsche, received a prominent delegation from Qatar led by the emirate's Prime Minister, Sheikh Hamad bin Jassim bin Jaber Al Thani, in Stuttgart, for the signature of two contracts. The Prime Minister signed a purchase agreement giving Qatar Holding LLC ten percent of the ordinary shares in Porsche SE. Dr. Wolfgang Porsche and Dr. Hans Michel Piëch signed the document on behalf of the shareholding families. The second contract, prescribing the acquisition by the emirate of a significant portion of the cash-settled stock options for VW shares, was signed by both Ahmad Al-Sayed, CEO of Qatar Holding LLC, and the executive board members of Porsche SE Michael Macht and Thomas Edig. In this context, Qatar Holding LLC further undertook to contribute 265 million Euro to the existing syndicated loan. The impact of the sale of stock options on Porsche SE's liquidity is described in the chapter "Opportunities and risks of future development" on page 67 of this management report.

Previously, Porsche SE had already conducted write-offs as a preparatory measure for the sale of the options. This brought about a significant non-cash reduction in the result for fiscal year 2008/09 (1 August 2008 to 31 July 2009). At the same time, the sale of options improved Porsche SE's liquidity. It released cash amounting to more than one billion euro, which had been deposited as collateral for the options.

Further events occurring after the balance sheet date are summarized on page 86 of this management report.

Business development

Initial consolidation of Volkswagen
Once Porsche SE had increased its share in Volkswagen AG, Wolfsburg, Europe's largest automotive manufacturer, to 50.76 percent of ordinary shares on 5 January 2009, the Volkswagen group became subject to inclusion in the consolidated financial statements of Porsche SE by way of full consolidation for the first time in the past fiscal year.

The assets and liabilities of the new Volkswagen subgroup were included in the consolidated financial statements of Porsche SE using the attributed market values at that point in time.

The market values were determined by purchase price allocation. A purchase price allocation involves the comprehensive revaluation of all of Volkswagen's assets and liabilities, and comparing their values with the purchase price in order to determine goodwill. The purchase price allocation had largely been completed by 31 July 2009. The final values were then included in the consolidated financial statements of Porsche SE as of 31 July 2009 with retrospective application as of 5 January 2009.

Due to the volume of work at the Volkswagen subgroup dedicated to preparing its own six-month financial report as of 30 June 2009, the data necessary for external reporting for the month of July could not be made available on time. The Volkswagen subgroup is therefore included in the consolidated financial statements of Porsche SE with accounting values as of 30 June 2009. As a result, the Volkswagen group's income statement for July 2009 was not taken into account in Porsche SE's consolidated income statement. The effects from purchase price allocation and the sales and production figures for Volkswagen published in this report also refer to the period from 5 January to 30 June 2009. The amortization of the differences between the carrying amounts and market values of the assets held by the Volkswagen subgroup, discovered in connection with the purchase price allocation as of 5 January 2009, resulted in a loss of around 3 billion Euro for the Porsche group (Porsche SE and its subsidiaries).

Global economic environment

The global economy underwent a dramatic decline in the reporting year. After economic growth in the US slowed sharply on account of the crisis on the real estate and financial markets, a growing number of countries were drawn into the maelstrom in the course of 2008. Not only in America, but also in Europe, many banks were dependent on subsidies. At the end of 2008, the recession intensified in the US, Japan and the European Union. Even the Chinese economy slowed, following five successive years of strong growth.

Around the world, central banks and governments saw themselves forced to act. They attempted to combat the decline using sweeping economic rescue programs. In the US, EU, Japan and China alone, state spending in support of the economy amounted to more than 2 trillion Euro. Although this could result in dramatically growing state deficits in the years to come, these measures were successful in helping stop the decline in the global economy. In China, Brazil and the US, for example, signs of recovery are multiplying. In Germany, the recession is over on paper, with GDP in Q2 2009 increasing 0.3 percent on the first quarter.

In the automotive markets, economic rescue programs in Germany and also in China and Brazil led to an increase in new registrations in the first half of 2009. The state environmental bonus in Germany particularly benefited the manufacturers of small cars. Luxury car manufacturers, on the other hand, saw no benefit. Total sales figures for new vehicles in the first half of 2009 were below prior-year levels in western Europe. The fact that this was no different in the major automotive markets of the US, Japan, eastern Europe and Russia shows the challenging environment in which the Porsche group was operating in fiscal 2008/09.

General downward trend

Unit sales at the Porsche group in fiscal 2008/09 were up significantly on the prior year due to the inclusion of the Volkswagen subgroup as of 5 January 2009, coming to a grand total of 3,082,837 vehicles.

At the Porsche subgroup (Porsche AG and its subsidiaries), the dramatic decline of the global economy in fiscal 2008/09 naturally had a tangible impact on the development of sales. Unit sales fell 24 percent to 75,238 vehicles. The Volkswagen subgroup achieved global unit sales of 3,007,599 vehicles in the fully consolidated period from January to June 2009.

Of Porsche AG's individual model series, the 911 performed the best with a 14 percent fall in sales to 27,070 vehicles in fiscal 2008/09. This reflects the success of the new sports car with consumption-reducing direct fuel injection and state-of-the-art Porsche Doppelkupplungsgetriebe (double-clutch gearbox) on the market. Porsche sold 34,265 units of the Cayenne, 25 percent fewer than in the prior fiscal year, which had seen a record number of the sporty off-roaders sold. Sales of the Cayenne in the reporting period consist of 13,151 units of the basic variant with V6 cylinder engine, 15,318 with V8 cylinder engine, and 5,796 with diesel engine, which Porsche has offered for the Cayenne since February 2009. The fact that sales of the Boxster series fell 40 percent was mainly due to the generation change in the mid-engined sports car, which was also effected in February 2009. Of the total 13,140 vehicles sold, 6,737 were Boxster units and 6,403 Cayman. Porsche's sales also already include 763 units of the new, four-door Gran Turismo Panamera.

The Volkswagen subgroup was also affected by the general economic environment, which impacted its overall sales figures in the first half of 2009. Around 1.7 million of the 3,007,599 vehicles sold across the globe were from the Volkswagen passenger car brand. The Gol and Tiguan models were the subject of increased demand. The new Scirocco and Passat CC models also achieved pleasing unit sales.

The Audi brand achieved sales of 567,185 vehicles in the reporting period. Demand for the Audi A3 Sportback, Audi A5 Coupé and Audi A5 Cabriolet developed favorably. The new Audi Q5 was also well-received by customers, contributing materially to the success of the Audi brand within a short period of time. Audi's sales figures include the numbers for the Lamborghini brand. The Škoda brand sold 262,360 vehicles from January to June 2009. Demand for the Fabia and Superb models developed favorably. Sales of the SEAT brand were impacted by the critical situation on the Spanish passenger car market. 158,063 SEAT vehicles were sold in the reporting period. Demand for the Ibiza model developed favorably.

Volkswagen commercial vehicles saw sales of 134,501 vehicles. Scania sold 20,667 vehicles in the first six months of 2009.

Regional differences

The development of the Porsche subgroup's unit sales varies between the different regions of the world. Sales in the German market fell just nine percent to 12,291 vehicles. Porsche was more severely affected by the dramatic economic crisis in North America, where sales fell 30 percent to 22,659 units. The automobile manufacturer sold 40,288 units in the rest of the world, 23 percent fewer than the year before.

The Volkswagen subgroup sold 1.7 million vehicles in the period from January to June 2009 in the Europe / other markets region. 212,780 units were sold in North America. In the South American markets, Volkswagen sold a total of 406,401 vehicles in the reporting period. The Volkswagen subgroup's sales in markets in the Asia-Pacific region (including the Chinese joint ventures) remained unaffected by prevailing economic conditions at 704,898 units.

Falling production volumes

Production output at the Porsche group in fiscal 2008/09 came to 2,899,388 units.

At the Porsche subgroup, production fell even more rapidly than sales. Porsche AG reduced the number of vehicles manufactured by 27 percent to 76,739 units. In the period from January to June 2009, the Volkswagen subgroup produced exactly 2,822,649 vehicles due to falling demand in many regions of the world. Inventories were scaled back throughout the group.

Financial services in demand

The Porsche subgroup offers a range of financial services via its Porsche financial services subsidiaries. The comprehensive range of services meets all of the customer's needs with leasing, financing, Porsche insurance services and the Porsche Card.

Porsche financial services companies have been established in all major markets. With around 35,000 new contracts, the individual companies managed more than 81,000 financial services agreements throughout the world in fiscal 2008/09. In addition to this, around 12,600 customers took advantage of Porsche's credit card service. As owners of the Porsche Card or the Porsche Card S, which comes with an extended range of services, customers can take advantage of a multitude of services and personal benefits tailored specifically to the interests and needs of Porsche drivers.

Personalized insurance protection is offered by financial services as part of the Porsche insurance services with the Porsche CarPolicy and the Porsche CarPolicy S. Both services allow customers to provide for risks tailored to the value of their vehicle. This applies equally to third-party liability, fully comprehensive and third party, fire and theft insurance. Porsche insurance services has been working successfully for years with HDI-Gerling Firmen- und Privatversicherung AG, and enjoys the confidence of more than 20,000 satisfied Porsche drivers.

Volkswagen financial services division combated a difficult market environment characterized by increasing pressure on margins in the period from January to June 2009 with new products, boosting sales for the Volkswagen subgroup.

The most recent innovation from Financial Services is the loan guarantee certificate issued by Volkswagen Bank. This offers private and corporate customers security for their financing and their car insurance and guarantee insurance premiums, for example in the event that they are suddenly unable to work or become unemployed through no fault of their own. The loan guarantee certificate, with a monthly premium based on the monthly mobility premium and the term of the contract, provides a financial guarantee of the customer's personal mobility in difficult economic times.

For the fourth time in a row, Volkswagen Leasing GmbH has won the fleet award of the industry magazine "Autoflotte" in the category "Leasing and Fleet Management". The majority of around 4,700 readers voted for the subsidiary of Volkswagen Financial Services AG, from a field of 51 competitors. In particular, the financial services provider impressed industry experts with its flexible leasing products and the “Fleet Competence eCO_2” program, which makes an active contribution towards a CO_2-optimized vehicle fleet.

In the period from January to June 2009, the number of new contracts concluded in the financing, leasing and insurance business came to 1.6 million.

As of 30 June 2009, Volkswagen Bank *direct* maintained 1,391,750 accounts. As of the same date, the LeasePlan joint venture managed around 1.4 million vehicles.

New jobs

As of 31 July 2009, the Porsche group had a total of 375,959 employees. In fiscal 2008/09, Porsche (excluding the Volkswagen subgroup) was once again able to create jobs, with an increase of 450 bringing the total to 12,652. Additional positions were mainly focused on the Leipzig plant and the service companies. The Porsche group (excluding Volkswagen) employed 10,861 people in Germany, or 85.8 percent of the total workforce.

As of 30 June 2009, the Volkswagen subgroup had 363,307 employees. The number of employees in Germany came to 171,616, or 47.2 percent of the total workforce.

Change in the composition of the supervisory board

The supervisory board of Porsche SE reconstituted itself at Porsche’s annual general meeting on 30 January 2009. The body unanimously reelected Dr. Wolfgang Porsche as its chairman and Uwe Hück as his deputy. Previously, the annual general meeting of Porsche SE had unanimously reelected the shareholder representatives on the supervisory board for a full tenure of five years. In addition to Dr. Wolfgang Porsche, these are Dr. Ferdinand Oliver Porsche, Hans-Peter Porsche, Dr. Ferdinand K. Piëch, Dr. Hans Michel Piëch and Prof. Dr. Ulrich Lehner.

There were three changes among the employee representatives on Porsche SE’s supervisory board. The board was joined by Bernd Osterloh, chairman of Volkswagen AG’s general and group works councils and chairman of Porsche SE's works council, Peter Mosch, chairman of AUDI AG's general works council, and Berthold Huber, chairman of the IG Metall trade union. The mandates to serve on the supervisory board were confirmed for Uwe Hück, chairman of Porsche AG’s group works council and deputy chairman of Porsche SE’s works council, Werner Weresch, member of Porsche AG’s works council, and Hans Baur, principal authorized representative of the Stuttgart division of the IG Metall trade union.

In addition to Dr. Wolfgang Porsche and Uwe Hück, the oversight body also elected Dr. Hans Michel Piëch representing shareholders and Bernd Osterloh representing the employees onto the executive committee of Porsche SE’s supervisory board.

Mandatory offers for Audi and Scania shares

Porsche SE was required by German takeover law to submit a mandatory offer for AUDI AG as a subsidiary of Volkswagen. This was because at 35.14 percent of the total voting rights, Porsche SE's share in Volkswagen AG as of 16 September 2008 gave it a lasting majority at the VW annual general meeting. The minimum price required by law was offered for the Audi shares. The period for accepting the mandatory offer started on 29 September 2008 and ended on 27 October 2008. 176,547 or 0.4 percent of the shares in Audi were offered to Porsche for purchase. The acquired Audi shares were sold to Volkswagen AG without a premium.

Having exceeded the 50 percent threshold of Volkswagen's ordinary shares, Porsche SE indirectly gained control over Scania AB, Södertälje, Sweden, and was therefore required by Swedish law to submit a mandatory offer for the truck manufacturer. The period for accepting the offer made to Scania's minority shareholders to tender their shares lasted from 21 January 2009 to 10 February 2009. 4,398,139 A-shares and 59,037,822 B-shares were tendered to Porsche SE, i.e. the value of the shares tendered amounted to 395 million Euro. Porsche sold the acquired Scania shares to Volkswagen without a premium.

Please find further information on the mandatory offers for Scania and Audi shares on pages 2 and 3 of the six-month report of Porsche SE as of 31 January 2009.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Capital market

The mood on the international stock exchanges continued to deteriorate in the course of the reporting year. The US-American leading share index Dow Jones fell to its lowest level in ten years, while the Japanese Nikkei slumped to a level not seen since October 1982. The German Dax, which stood at 6,396 points on 1 August 2008 and therefore the first day of fiscal 2008/09, had already fallen to 4,300 points in October 2008, and by March 2009 had dipped below 3,700 points. This was its lowest level in five years.

Even though the indexes had to some extent recovered by the end of the reporting period, the Dax still fell 17 percent on the end of the prior fiscal year, closing on 31 July 2009 at 5,332 points. The Composite Dax (C-Dax), on the other hand, remained stable. Porsche SE's preference shares were trading at 91.50 Euro at the beginning of fiscal 2008/09, falling to 45.74 Euro by the end of the fiscal year.

Impressive long-term performance
Despite the current state of Porsche SE's share price, a look at the long-term development of Porsche's shares illustrates their value. If one considers the past 15 fiscal years, namely the period from 1 August 1994 to 31 July 2009 (the last day of the reporting year), the price rose – adjusted for the split and converted into euro – from 4.19 Euro to 45.74 Euro. This growth of 991 percent compares to the increase in the value of the Dax of just 148 percent.

A share portfolio with Porsche shares has increased in value accordingly over this 15-year period. For every 10,000 Euro invested in shares of the sports car manufacturer on 1 August 1994, the portfolio would have increased to 133,000 Euro by 31 July 2009 (including dividends).

Conversion into new shares of Porsche SE
In fiscal 2008/09, Porsche converted the old share certificates of Dr. Ing. h.c. F. Porsche Aktiengesellschaft (ISIN DE0006937733) into the new certificates of Porsche Automobil Holding SE with the international securities number ISIN DE000PAH0038. For shareholders who kept their shares in a securities portfolio at the bank, the bank concerned initiated the necessary steps. The code number of the Porsche dividend papers changed on their portfolio statement on 1 September 2008.

Those shareholders who managed their shares themselves were able to file these securities with the custodian bank for conversion between 1 September and 5 December 2008. In these cases, the propriety of the shares that had been submitted was examined and the shareholders now hold new no par value shares made out to "Porsche Automobil Holding SE" with a coupon sheet containing the profit participation certificates numbers 1 to 20 and the renewal coupon. There were certificates for single no par value shares and global certificates for ten or a hundred no par value shares each.

The conversion of shares was not only made necessary by the new legal structure as a Societas Europaea (SE) and the renaming of the company as "Porsche Automobil Holding SE". The share split effected by Porsche in March 2009 also necessitated the conversion. The split was implemented at a ratio of 1:10.

Annual document pursuant to Sec. 10 WpPG
The annual document containing the disclosures required by Sec. 10 (1) WpPG ("Wertpapierprospektgesetz": German Securities Prospectus Act) can be viewed at www.porsche-se.com/pho/de/investorrelations.

Intensive investor relations

The great interest in the Porsche group shown by the financial markets participants, which had already been given a boost by the investment in Volkswagen AG, continued to grow in the reporting year following the acquisition of more than 50 percent of the ordinary shares in Volkswagen with voting rights. The Investor Relations and Financial Press department of Porsche SE, part of the Public Relations division, has shifted up another gear in order to meet investors' and financial analysts' appetite for information.

In several one-on-one meetings, at road shows around the world and investment conferences, at driving demonstrations and trade fairs, analysts and investors were given current figures and information on the company's strategy. At various share forums organized by shareholder associations and banks, Porsche SE not only presented itself to private investors; it was also available to answer questions and to engage in discussion. The 2007/08 annual financial statements were also presented at the press briefing on the annual results and analysts conference in November 2008 in Stuttgart.

Well-attended annual general meeting

The annual general meeting for the 2007/08 fiscal year took place in January 2009, again at the headquarters of Porsche in Stuttgart. With some 8,500 shareholders and guests attending, the event was the most popular it has ever been since Porsche AG went public in 1984. In addition to giving its opinion on the direction of the company, the executive board was also able to submit a dividend for a vote that was higher than in the prior year.

Shareholder composition

The share capital of Porsche SE amounts to 175 million Euro, and is divided into 87.5 million ordinary shares and 87.5 million listed preference shares, with a pro rata share of capital stock of one euro per no par value share. Until the end of the reporting year, the ordinary shares had been held exclusively by members of the Porsche and Piëch families.

More than half of the preference shares are held by institutional investors such as equity funds, banks and insurance firms. Most of these are based in the US and Canada, as well as the UK and Germany, and in other European countries and Asia to a lesser extent. Less than half of the Porsche preference shares are in free float and are mainly held by private investors from Germany. The ordinary shareholders of Porsche SE also own preference shares.

Please refer to page 86 of this report for information on changes to the shareholder composition after the end of the fiscal year at Porsche SE.

Indices

Porsche is represented on important international indices such as “Morgan Stanley Capital International” index (MSCI), the “Dow Jones STOXX 600” and the British “FTSE4Good” index on which stock corporations are listed whose corporate policy is guided by ecological, ethical and social considerations.

Net assets, financial position and results of operations

Having obtained 50.76 percent of the ordinary shares of Volkswagen AG on 5 January 2009, Porsche SE has consolidated the Volkswagen group in its consolidated financial statements for the first time. As the quality of data needed for external reporting purposes was not available in time, owing to its own extensive closing activities, the Volkswagen subgroup has been considered in the financial statements of Porsche SE for the fiscal year 2008/09 on the basis of the figures for the period from 5 January to 30 June 2009.

Necessitated by the initial consolidation of the Volkswagen group a purchase price allocation was conducted as of the date of initial consolidation, 5 January 2009. During that process, the fair values of the acquired assets and liabilities included in the consolidated financial statements of Porsche SE were determined. Developing further the hidden reserves and losses identified in the course of the purchase price allocation had a major impact on the results of operations of the Porsche group. To aid comparison with the prior year, some of the figures are presented and explained below for the Porsche group without considering the Volkswagen group.

More information on the composition and development of the various line items of the balance sheet, income statement and the statement of cash flows of the Porsche group can be found in the notes to the consolidated financial statements of Porsche SE as of 31 July 2009 on pages 141 to 251.

Net assets

Due to the acquisition, the total assets of the Porsche group rose by 168.0 billion Euro to 213.6 billion Euro. The large increase is primarily due to the initial consolidation of the shares in Volkswagen AG which had been accounted for using the equity method in the prior fiscal year. Without considering this effect, total assets would have fallen in comparison to the fiscal year 2007/08.

Non-current assets rose considerably from 111.2 billion Euro to 125.6 billion Euro. The share of non-current assets in relation to total assets rose by 31.5 percent to 58.8 percent at the end of the fiscal year. The additions from the initial consolidation of the Volkswagen group relate mostly to intangible assets, property, plant and equipment and receivables from financial services.

As of the balance sheet date, the fixed assets of the Porsche group – in other words, the intangible assets, property, plant and equipment, leased assets, investment property and investments accounted for at equity as well as other financial assets – rose from 11.2 billion Euro at the close of the prior fiscal period to 85.1 billion Euro. The share of fixed assets in relation to total assets amounted to 39.8 percent (prior year: 24.5 percent). The group's fixed assets were fully covered by equity in the prior year. The corresponding ratio for the current fiscal period has fallen to 57.0 percent.

Particularly due to the initial consolidation of the Volkswagen subgroup the intangible assets of the group increased from 0.4 billion Euro as of 31 July 2008 to 32.7 billion Euro as of the balance sheet date. This item includes intangible assets are carried by the Porsche subgroup and the Volkswagen subgroup as well as assets that were identified in the course of the purchase price allocation as of 5 January 2009. These assets relate primarily to brands (10.9 billion Euro), development costs (9.0 billion Euro) and goodwill in the amount of 10.4 billion Euro. The intangible assets of the Porsche group excluding Volkswagen increased by 0.3 billion Euro in comparison to the prior year to 0.7 billion Euro. The increase is mostly due to development costs and licenses.

Property, plant and equipment carried by the Porsche group also rose to 32.1 billion Euro mostly as a consequence of the consolidation of the Volkswagen subgroup (prior year: 1.7 billion Euro). Hidden reserves of 6.9 billion Euro were determined and recognized in property, plant and equipment as a result of the purchase price allocation in connection with the initial consolidation of the Volkswagen group.

Disregarding the Volkswagen subgroup, property, plant and equipment rose to 2.1 billion Euro, primarily due to the addition of tools.

Financial assets totaling 8.8 billion Euro include investments accounted for at equity of 8.1 billion Euro. These relate to investments held in Shanghai-Volkswagen Automotive Company Ltd., Shanghai, China, in FAW-Volkswagen Automotive Company Ltd., Changchun, China, MAN Aktiengesellschaft, Munich, and Global Mobility Holding B.V., Amsterdam, Netherlands, the parent of LeasePlan Corporation N.V., Amsterdam, Netherlands. The increase in the shareholding in Volkswagen AG to 50.76 percent of the voting right shares in January 2009 has resulted in the investment in Volkswagen AG no longer being accounted for using the equity method in the consolidated financial statements of the Porsche group. As a result, the carrying amount of this investment accounted for at equity, which rose by 17.1 billion Euro in the course of the reporting year due to the acquisition of further shares in Volkswagen AG, was removed from the balance sheet on 5 January 2009.

Leased assets increased by 10.1 billion Euro on the prior year to 11.0 billion Euro. This balance sheet item includes vehicles leased out under operating leases.

Deferred tax assets amounted to 1.6 billion Euro compared to 0.1 billion Euro in the previous year.

The share of current assets in relation to total assets fell from 68.5 percent in the prior year to 41.2 percent as of 31 July 2009. This decline is related to the significant increase in non-current assets. The hidden reserves determined and recognized as a result of the purchase price allocation relate primarily to non-current assets. Furthermore, goodwill was capitalized.

Inventories increased from 0.8 billion Euro in the prior year to 16.3 billion Euro at the end of the reporting period. Without considering the Volkswagen subgroup, inventories fell to 0.6 billion Euro. Trade receivables amount to 6.7 billion Euro (prior year: 0.3 billion Euro). Without considering the Volkswagen subgroup, trade receivables would amount to 0.4 billion Euro. Current and non-current receivables from financial services increased from 1.8 billion Euro in the prior year to 62.2 billion Euro as of 31 July 2009 mostly resulting from the acquisition. They generally consist of receivables from customer and dealer financing as well as from finance leases. Current and non-current income tax assets increased to 1.9 billion Euro (prior year: 0.1 billion Euro).

As of balance sheet date, other receivables and assets have fallen by 8.7 billion Euro on the prior year to 11.3 billion Euro, especially because of the valuation of the cash-settled stock options at their purchase price.

The carrying amount of securities has dropped from 4.4 billion Euro in the prior year to 3.4 billion Euro. In the Porsche group (excluding the Volkswagen subgroup) the carrying amount of securities decreased significantly to just 0.1 billion Euro due to sales in connection with the acquisition of shares in Volkswagen AG.

Cash and cash equivalents increased from 7.0 billion Euro on 31 July 2008 to 25.0 billion Euro as of 31 July 2009. In the course of increasing its shareholding in Volkswagen AG, cash and cash equivalents carried by the Porsche group, excluding the Volkswagen subgroup, dropped to 2.7 billion Euro.

Compared to the closing balance of the prior year, equity increased by 31.6 billion Euro to 48.5 billion Euro as of 31 July 2009. Equity before minority interests has risen by 0.3 billion Euro to 15.3 billion Euro in spite of the loss for the year allocable to the Porsche shareholders. This is due to effects resulting from consolidating the Volkswagen group for the first time. Subsequent to initial consolidation, equity contains minority interests of 32.0 billion Euro. The decrease in hybrid capital is due to the partial repurchase of a hybrid bond at the beginning of the following fiscal year. The corresponding amount was reclassified to current financial liabilities as of 31 July 2009. Because the balance sheet total rose considerably, the equity ratio (taking account of the remaining hybrid capital) fell from 37.0 percent to 22.7 percent as of 31 July 2009.

Non-current provisions and liabilities particularly consist of pension provisions, other provisions and financial liabilities. They rose by 81.2 billion Euro on the prior year to 87.1 billion Euro. Most of this increase is attributable to the initial consolidation of the Volkswagen group. Current liabilities rose from 22.8 billion Euro to 78.0 billion Euro at the end of the reporting period, also on account of the initial consolidation. The share of current liabilities in the balance sheet total has fallen from 49.9 percent in the reporting year 2007/08 to 36.5 percent in the reporting year 2008/09.

Without considering the Volkswagen subgroup, current financial liabilities in the Porsche group have fallen by 6.6 billion Euro. At the same time, non-current financial liabilities rose by the same amount in connection with the acquisition of the investment in Volkswagen AG.

Pension provisions, non-current and current other provisions and income tax provisions were measured at 39.3 billion Euro at the end of the reporting year (prior year: 4.6 billion Euro). Deferred tax liabilities amounted to 6.8 billion Euro compared to 1.0 billion Euro in the previous year. Trade payables rose significantly to 11.2 billion Euro compared to 0.6 billion Euro the year before. Other liabilities amounted to 13.9 billion Euro (prior year: 6.1 billion Euro). Due to the valuation of the cash-settled stock options at their purchase price, other liabilities of the Porsche group, excluding the Volkswagen subgroup, have fallen by 60.7 percent to 2.4 billion Euro on balance sheet date.

The financial liabilities reported for the year amount to 93.6 billion Euro compared to 16.4 billion Euro in the prior year. This rise is primarily due to the increase in bonds, commercial paper and notes and deposits from the direct banking business of the Volkswagen subgroup.

Financial position

The financial position of the Porsche group in the fiscal year 2008/09 is strongly influenced by the positive impact of consolidating the Volkswagen group for the first time. This precludes comparisons with the prior year.

Cash flow from operating activities totaled 6.9 billion Euro in the fiscal year 2008/09 (prior year: minus 0.7 billion Euro).

Cash inflow from investing activities totaled 5.8 billion Euro in the fiscal year 2008/09 compared to a cash outflow of 6.9 billion Euro in the prior year. This development is largely due to cash-effective changes in options entered into for stock price hedging purposes in connection with the acquisition of shares in Volkswagen AG and the associated reduction of securities holdings. This was partly offset by the actual net cash outflows from the acquisition of shares in Volkswagen AG in the current fiscal year and the rise in investments in fixed assets in comparison to the prior year as a result of the initial consolidation of the Volkswagen group. Investments in intangible assets and property, plant and equipment amounted to 4.6 billion Euro (prior year: 0.8 billion Euro), while investments in leased assets and investment property totaled 3.1 billion Euro compared with 0.6 billion Euro in the prior year. As in the previous fiscal year 0.6 billion Euro of this amount relates to vehicles leased out by the financial services companies of the Porsche subgroup. Excluding the Volkswagen subgroup, in the fiscal year 2008/09 the Porsche group invested primarily in future models, such as the four-door Gran Turismo Panamera that was launched in September 2009.

Cash flow from financing activities resulted in total inflows of 4.8 billion Euro in the reporting year (prior year: 10.5 billion Euro). Whereas the cash inflow in the prior year was primarily due to new loans taken up by the group, the cash inflow in the reporting year was primarily due to changes in the bond portfolio of the Volkswagen subgroup.

Including exchange rate effects, cash funds have risen by 17.6 billion Euro since 31 July 2008 to 22.0 billion Euro particularly as a result of the initial consolidation of the Volkswagen subgroup.

Gross liquidity, which is defined as the sum of cash and cash equivalents (including an amount of just under 1.8 billion Euro that is not available for use by the group), securities and loans, rose to 28.5 billion Euro compared to 11.4 billion Euro in the prior year. On the other hand liabilities from bonds, commercial paper and notes and liabilities to banks increased to 72.1 billion Euro, compared to 14.5 billion Euro in the prior year.

The net liquidity of the Porsche group, which is defined as gross liquidity less financial liabilities, excluding the financial services business and the effects from the Volkswagen subgroup, dropped from minus 3.1 billion Euro in the prior year to minus 11.4 billion Euro as of 31 July 2009. Net liquidity was negatively impacted mainly by the fall in cash and cash equivalents and the portfolio of securities. In addition, the obligation entered into prior to the balance sheet date to repurchase portions of the hybrid capital issued in the fiscal year 2007/08 led to a further reduction of net liquidity of 0.5 billion Euro. The repurchase of the bonds will lead to cash outflows of 0.5 billion Euro in the fiscal year 2009/10. However, this will not impact net liquidity.

Results of operations

The Porsche group reports a net loss of 3.6 billion Euro in the fiscal year 2008/09 compared to a net profit of 6.4 billion Euro in the prior year. The net profit in the prior year was materially influenced by special effects related to the stock options.

The results of operations of the Porsche group were negatively impacted in the fiscal year 2008/09 by the adverse conditions prevailing in the economic environment. In addition, the earnings of the Porsche group were negatively affected by the market valuation of the cash-settled stock options related to the planned sale to Qatar Holding LLC, the development of the hidden reserves and losses identified in the course of the purchase price allocation and the rise in interest expenses due to the deterioration in refinancing alternatives. Developing further the hidden reserves and losses identified in the course of the purchase price allocation burdened the results of the Porsche group by a total of 3.0 billion Euro.

Revenues of the Porsche group amount to 57.1 billion Euro in the fiscal year 2008/09. Without considering the Volkswagen subgroup, the Porsche group recorded a fall in revenue from 7.5 billion Euro in the prior fiscal year to 6.6 billion Euro in the fiscal year 2008/09. The 12.1 percent drop in revenue at the Porsche subgroup is significantly below the drop in unit sales. This discrepancy is primarily due to a change in the model mix. Whereas the premium 911 models enjoyed a higher share of total sales, the share accounted for by the Boxster range fell significantly. In the past fiscal year the Porsche subgroup sold 75,238 vehicles, which corresponds to a fall of 23.7 percent on the prior year.

At 5.9 billion Euro, most of the Porsche subgroup's revenue was once again generated in the automobile business (prior year: 7.1 billion Euro). The financial services companies, which generate revenue in the leasing, credit and credit card business, provided revenue of 0.7 billion Euro (prior year: 0.4 billion Euro).

Other operating income of the Porsche group increased to 60.2 billion Euro, compared to 19.8 billion Euro in the prior year. On the other hand, other operating expenses increased from 13.7 billion Euro in the prior year to 70.9 billion Euro in the fiscal year 2008/09. This extraordinary rise in income and expenses is essentially due to the effects from stock price hedge derivatives at Porsche SE. Net expenses from stock options in the fiscal year 2008/09 amount to 2.5 billion Euro.

The cost of materials rose to 33.8 billion Euro (prior year: 4.2 billion Euro), and now accounts for 60.4 percent of the total operating performance compared to 53.6 percent in the previous year. Excluding the Volkswagen subgroup, the cost of materials declined by 17.5 percent to 3.4 billion Euro.

The personnel expenses of the Porsche group have increased from 1.4 billion Euro to 9.0 billion Euro. Excluding the Volkswagen subgroup, personnel expenses decreased by 14.4 percent to 1.2 billion Euro on account of the economy measures introduced. The ratio of personnel expenses to total operating performance stands at 16.1 percent compared to 17.5 percent in the prior year.

Amortization and depreciation within the group increased to 6.2 billion Euro, compared to 0.6 billion Euro in the prior year. This significant increase is mainly attributable to the initial consolidation of the Volkswagen group. Of this, an amount of 2.3 billion Euro is due to developing further the hidden reserves identified and recognized during the purchase price allocation. Porsche group recognizes a loss before financial result in the amount of 3.7 billion Euro, a fall of 11.4 billion Euro on the prior year.

The financial result dropped from income of 0.9 billion Euro in the prior year to a loss of 0.7 billion Euro in the fiscal year 2008/09. In addition to the inclusion of the Volkswagen group, this change is primarily due to higher interest expenses.

In the prior fiscal year, the Porsche group was able to increase its profit before tax to 8.6 billion Euro. The fiscal year 2008/09 closed with a loss before tax of 4.4 billion Euro due to the factors described above.

The income from taxes of 0.8 billion Euro is primarily a result of deferred taxes overcompensating the actual tax expense of the fiscal year.

Taking account of the result from discontinued operations of 15.1 million Euro, the loss after tax for the fiscal year 2008/09 amounts to 3.6 billion Euro.

Porsche Automobil Holding SE (summary pursuant to German Commercial Code)

Net profit for the period
The results of Porsche Automobil Holding SE are strongly influenced by the market valuation of cash-settled stock options. This market valuation became necessary as the valuation of the stock options was based on the value underlying the sale of stock options to Qatar, negotiations for which had largely been concluded by the balance sheet date.

The stock options had a 2,736 million Euro negative effect (prior year: plus 4,722 million Euro) on the company's results determined in accordance with the German Commercial Code.

Income from investments rose 1,097 million Euro to 2,992 million Euro, mainly due to an increased profit transfer from Porsche AG. At the same time, the interest result fell 457 million Euro to minus 746 million Euro. Income from ordinary activities therefore fell from 6,217 million Euro in the prior year to minus 443 million Euro. Despite this negative result, tax expenses of 553 million Euro (prior year: 1,837 million Euro) were deducted. The current year's expense covers the risk of differing legal opinions on the taxability of stock option transactions. After taxes, Porsche Automobil Holding SE therefore reports a net loss of 996 million Euro for the year (prior year: net profit of 4,380 million Euro).

Income statement of Porsche Automobil Holding SE

Million Euro	2008/2009	2007/2008
Revenue	**5**	0
Other operating income	**52,790**	8,345
Personnel expenses	**-77**	-52
Other operating expenses	**-55,407**	-3,682
Income from investments	**2,992**	1,895
Interest result	**-746**	-289
Income from ordinary activities	**-443**	6,217
Taxes	**-553**	-1,837
Profit/loss after tax	**-996**	4,380
Withdrawals from retained earnings	**1,004**	0
Transfer to retained earnings	**0**	-2,190
Net profit available for distribution	**8**	2,190

Balance sheet of Porsche Automobil Holding SE as of 31 July 2009

Million Euro	31/7/2009	31/7/2008
Financial assets	**24,838**	9,104
Trade receivables	**2,703**	0
Other assets	**1,202**	12,639
Securities	**0**	2,500
Cash and cash equivalents	**2,164**	6,030
Prepaid expenses	**263**	0
Assets	**31,170**	30,273
Equity	**7,993**	9,461
Provisions	**3,371**	2,117
Liabilities to banks	**10,561**	9,873
Sundry liabilities	**9,245**	8,822
Equity and liabilities	**31,170**	30,273

Net assets and financial position

In the reporting year, total assets rose 897 million Euro to 31,170 million Euro. Financial assets increased from 9.104 million Euro to 24,838 million Euro as a result of the further increase in the stake in Volkswagen AG. Current assets decreased from 15,100 million Euro to 6,069 million Euro as of 31 July 2009. The drop was mainly caused by the depreciation of stock options and a reduction in cash and cash equivalents and securities in connection with the increase in the stake in Volkswagen AG. This was offset by an increase in current assets resulting from receivables from Porsche AG totaling 2,703 million Euro in connection with the profit transfer arrangement. In the prior year, receivables from the profit transfer arrangement amounted to 1,734 million Euro, and were offset against liabilities to affiliated companies.

Liabilities to banks rose from 9,873 million Euro to 10,561 million Euro as of 31 July 2009.

Risks to business development

The risks to the development of Porsche Automobil Holding SE's business as the parent company of the Porsche group are closely connected to the risks faced by the Porsche and Volkswagen subgroups. Acting as a holding company also entails additional risks. Please refer to the report on the opportunities and risks of future development in pages 67 to 85 of this management report for a description of the risks.

Risks arising from financial instruments

Porsche Automobil Holding SE is exposed to particular risks on account of its management function within the Porsche group. These are described in the report on the opportunities and risks of future development in pages 67 to 85 of this management report, along with the risks faced by the subgroups.

Proposed dividend
The statutory financial statements of Porsche SE as of 31 July 2009 report a distributable profit of 8,225,000 Euro. The executive board and the supervisory board of Porsche SE will propose the distribution of the entire distributable profit to the annual general meeting, which equals a dividend of 0.044 Euro per ordinary share (prior year: 0.694 Euro plus 2.00 Euro special dividend) and 0.050 Euro per preference share (prior year: 0.700 Euro plus 2.00 Euro special dividend).

Dependent company report drawn up
As in previous years, in accordance with Sec. 312 German Stock Corporation Act (AktG) Porsche has been advised by its legal counsel to draw up a report on relations with companies affiliated with holders of its ordinary shares (a dependent company report). The conclusion of this report is as follows: "In accordance with the circumstances known to it when the transactions stated in the report were conducted, Porsche Automobil Holding SE has rendered or, as the case may be, received reasonable payment. There were no reportable measures in accordance with Sec. 312 (1) Sentence 2 AktG in the year under review".

Value-enhancing factors

In addition to the significant financial performance indicators presented in the section on net assets, financial position and results of operations, we will also report in the following on the Porsche group's main non-financial performance indicators, which help raise the value of the company in the long term. These include newly developed products, processes in the fields of research & development, procurement, production, sales & marketing and the environment, and the behavior of company management towards its employees.

Research and development

New concepts for the Porsche subgroup
All of the Porsche subgroup's model series were developed further in fiscal 2008/09. The new-generation 911 was further upgraded with the introduction of all-wheel drive versions of the Carrera models and Targa variants, as well as the GT3 and, at the beginning of fiscal 2009/10, the Turbo. Porsche introduced a new generation of the Boxster and Cayman mid-engined sports cars in the reporting period. The first diesel variant of the Cayenne was launched onto the market. But the highlight of the reporting year was the international debut of the new Panamera.

The fourth model series in the Porsche brand combines sportiness with comfort and the spaciousness of a luxury sedan like no other model. The Panamera embodies a unique concept developed by the engineers at the Research and Development Center in Weissach. The Gran Turismo has a long wheel-base with short overhangs, low seat positions giving impressive headroom even in the back, and a highly flexible spatial concept with a large trunk. The proportions rely heavily on traditional Porsche design themes, which distinguish it from other vehicles in its class. The connection with Porsche's sports cars is immediately apparent from the frontal view. The striking rear wings in combination with the large wheels make the Panamera a more substantial presence on the road. A diffuser has been harmoniously integrated into the rear of the vehicle to improve its aerodynamic properties. The distinctive LED rear lights include adaptive brake lights that brighten as the car brakes harder. The interior is also a treat for the eyes, realizing as it does the concept of a "car cockpit" for all four occupants. The center console runs from the front to the back. It rises to meet the dashboard, and the high placement of the gear stick is reminiscent of the Carrera GT high-performance sports car.

The engines for the Panamera are based on the eight-cylinder arrangements of the Cayenne. However, they have been comprehensively overhauled for the Panamera. The modified air manifold and optimized engine control system have given the output and torque of the V8 engines an extra boost. The suction engine now has 400 hp of output and 500 Nm of torque, while the turbo engine has 500 hp and 700 Nm.

All Panamera models have direct fuel injection (DFI) and Vario-Cam Plus, the variable camshaft adjuster with valve-lift switching system on the inlet side.

The focus of the overhaul was also on reducing weight, as well as dynamic and inertial mass. The engineers successfully took more than ten kilograms off the weight of the Cayenne engine.

The Panamera 4S and Panamera Turbo come with the Porsche Doppelkupplungsgetriebe (double-clutch gearbox) as standard. The function is based on the tried-and-tested principles of the PDK in the 911. The transmission itself, however, was developed for use in front-engined vehicles, and adapted to a higher range of output. The PDK has seven gears, the first six of which have a sporty tuning. Maximum speed can be reached in the sixth gear.

The combination of performance and low consumption is also enabled by the intelligent, lightweight construction. The axles, doors, hood, wings and trunk lid are all made of aluminum. The Panamera is also the first vehicle in its class with an automated start/stop function in conjunction with an automatic transmission. If the vehicle is standing at traffic lights or in congestion, for example, depressing the brake pedal cuts the engine.

Based on the EU cycle, the Panamera S needs 12.5 liters of fuel per 100 kilometers, which even drops to 10.8 liters with PDK. Despite its outstanding performance, the Turbo needs just 12.2 liters per 100 kilometers.

All Panamera models come with Porsche Active Suspension Management (PASM) as standard, which seamlessly adjusts the suspension to different road surfaces and driving styles. Drivers can choose from three different suspension configurations. The Panamera Turbo comes with adaptive air suspension and PASM as standard. In addition to ride-height adjusting capability to compensate for load distribution, this has a three-step leveling system and the ability to increase the amount of air to change the spring rate. This allows for a high degree of variation in driving styles, from relaxed to sporty.

In conjunction with the adaptive air suspension, Porsche also offers the option of the Porsche Dynamic Chassis Control (PDCC) system, including electronically controlled rear differential lock. PDCC is an active anti-roll system that anticipates and reduces lateral body movement when cornering depending on the chassis mode selected. This system allows utmost agility at any speed, optimal steering response and stable load transfer characteristics.

For the Panamera, the engineers also made refinements to the Porsche Stability Management (PSM) system, which ensures safety at the extremes of lateral and longitudinal forces. In addition to improved safety functions such as the precharging of the brake system, autonomous cruise control and idling management systems have also been developed. The latter aids the driver by preventing the car from rolling away against the direction of travel on sloped surfaces. The active aerodynamics is a world first for a vehicle in this class. A rear spoiler maintains the ideal balance between drag coefficient and downforce depending on the speed. A double spoiler is deployed by the Panamera S and 4S at speeds of 90 km/h and above. This is initially set at an angle of minus three degrees. At speeds of 160 km/h and above, an angle of plus five degrees increases downforce, and at speeds in excess of 205 km/h, the spoiler is at its most angled, plus 14 degrees.

With the top-of-the-range Panamera Turbo, additional flaps fold out to increase surface area, and therefore the downforce on the rear axle. This quadruple spoiler is also deployed at speeds of 90 km/h and above at an angle of minus three degrees, switching to high-performance configuration at a speed of 205 km/h. This puts it at an angle of plus ten degrees.

With the most fuel-efficient and powerful 911 Turbo of all time, Porsche is once again raising the bar in the high-performance sports car segment. Compared to its predecessor, the new premium model consumes 16 percent less fuel, offers 20 hp more output, has reduced acceleration times by eight percent and weighs 25 kilograms less. The heart of the 911 Turbo is the six-cylinder twin-turbo boxer engine with a displacement of 3.8 liters, increased from 3.6. The fully reengineered engine has direct fuel injection, a performance-improving expansion intake manifold, and Porsche's exclusive turbocharger with variable turbine geometry for gasoline engines. This not only raises output to 500 hp, it also boosts maximum torque to 650 Nm, an increase of 30 on its predecessor, with the Sport Chrono Package Turbo even achieving torque of 700 Nm.

Even with the standard manual transmission, the new turbo goes from 0 to 100 km/h in just 3.7 seconds (3.8 seconds for the Cabriolet). This sprint is cut by one-tenth of a second with the PDK, a refinement of the PDK from the 911 Carrera S with reinforced components. The optional Sport Chrono Package Turbo, which includes the new dynamic engine mountings, further adds to the top sporty performance of the 911 Turbo. The integrated "Overboost" function increases maximum torque by 50 to 700 Nm. This allows for even shorter acceleration times, even with manual transmission. This enables acceleration from 0 to 100 km/h in 3.6 seconds with the 'Sport' button pressed (Cabriolet: 3.7 seconds), or even 3.4 seconds in combination with the PDK and activated 'Launch Control' (Cabriolet: 3.5 seconds). In this mode, it only takes 11.3 seconds to accelerate from 0 to 200 km/h (Cabriolet: 11.8 seconds). The Launch Control function aids the best possible acceleration from a standing start in combination with the PDK and Sport Chrono Package Turbo. The PDK's 'Sport Plus' button activates the motorsport-derived gearshift strategy, which minimizes shift times and optimizes shift points for maximum acceleration and performance when accelerating or braking.

In order to further improve both handling and comfort, the optional Sport Chrono Package Turbo also includes dynamic engine mountings. These adjust their stiffness and damping depending on the situation. This considerably reduces the transfer of oscillation and vibration from the entire drive train and in particular the engine to the chassis. The improved performance of the new 911 Turbo goes hand in hand with yet more excellent handling. The refinement of the PTM controlled all-wheel drive system and Porsche Stability Management (PSM) is supported by the new, optional Porsche Torque Vectoring (PTV) system. This is combined with a rear axle differential lock, and increases agility by selectively applying the brake to the rear wheel on the inside of the corner while reducing the tendency to understeer. In this way, PTV improves steering precision and cornering stability, allowing corners to be taken faster.

In the new 911 Turbo, the PTM communicates with the Porsche Stability Management, which also comes as standard. Porsche Active Suspension Management (PASM) gives the high-performance sports car a further, active control system that ensures the best possible handling as standard. The computer-controlled suspension system benefits from the control that responds to the driving situation that comes from the integration of PTM and PSM. The driver can choose between the normal and sporty modes. Depending on this selection, the continuous damping regulation reacts either with comfort in mind or more stiff for performance. In this way, the handling of the new 911 Turbo reacts to the driver's individual preferences.

Porsche has succeeded in reducing the standard consumption of the 911 Turbo with PDK by 2.2 liters in comparison to the predecessor model with Tiptronic S, to 11.4 liters per 100 kilometers. In interurban traffic, consumption has been reduced to ten liters per 100 kilometers thanks to the optimal shifting of the PDK and the low-loss translation of power. The value for interurban traffic according to the Euro 5 standard is 8.1 liters per 100 kilometers. Overall CO_2 emissions have improved even more, falling just under 18 percent thanks to the transition from a torque-converter automatic transmission to a double-clutch gearbox.

The 911 GT3 is another sporty highlight in the new generation of the 911 series. A lot of know-how from motorsport went into its design. This is why the new GT3 cuts a good figure not only on the street, but also on the racetrack. The output of the six-cylinder suction engine is now 435 hp, an improvement of 20 hp on its predecessor model. This is mainly the result of increasing the displacement to 3.8 liters, as well as improving the exchange of gases. Both the inlet and outlet camshafts are now adjustable using the VarioCam system. The 911 GT3 accelerates from 0 to 100 km/h in 4.1 seconds, with 160 km/h reached from a standing start in 8.2 seconds. Top speed is 312 km/h.

The model is the first to receive a particularly sporty variant of the Porsche Stability Management System (PSM). The lateral Stability Control (SC) and Traction Control (TC) systems can be deactivated to varying degrees. Even in extreme situations, the functions must be reactivated manually in order to guarantee the driver unimpeded personal control over the handling of the GT3. The new GT3 offers even more road holding and stability at high speeds. Detailed aerodynamic modifications increase downforce on both the front and rear axles in such a way as to double the downward pressure in comparison to the predecessor model.

The active PASM chassis of the 911 GT3 allowed Porsche's engineers to stiffen the suspension and stabilizers, facilitating yet more precise handling in the sport mode of the PASM system. On the other hand, the day-to-day roll comfort has been retained in the normal mode. New, lighter wheels with a racing design, central locking and ultra-high performance tires, now with tire pressure monitoring system, complete the functional and optical refinement of the GT3.

Since the fall of 2009, Porsche has offered one other option for the new GT3 that makes it even more of a racing vehicle: the new dynamic engine mounting PADM (Porsche Active Drivetrain Mount). This recognizes racing driving patterns and stiffens the normally elastic engine mounting. This means that the GT3 provides a comfortable ride on a day-to-day basis, while eliminating disruptive momentum from the engine when cornering at speed. One further advantage is improved traction when accelerating from a standing start. Another innovation is the optional lift system for the front axle, which raises ground clearance by 30 millimeters at the push of a button in order to tackle uneven road surfaces or steep ramps.

The engineers were able to make significant improvements to all aspects of the Boxster models, from performance and fuel-efficiency to comfort and user-friendliness. The mid-engined sports car received an entirely new generation of engines. Depending on the model, ten to 25 hp has been added as well as 17 to 30 Nm of torque.

The efficiency of the S models has been improved thanks to the direct fuel injection seen in the new 911. In contrast to indirect injection, fuel is injected directly into the combustion chamber. This is carried out by electromagnetically operated vents under pressure of up to 120 bar, and timed to the exact millisecond. The fuel is very finely atomized, and the mixture of fuel and air very evenly distributed throughout the combustion chamber. This highly complex combustion process increases the overall performance of the engine.

All Boxster and Cayman models come with six-gear manual transmission as standard. The Porsche Doppelkupplungsgetriebe (double-clutch gearbox) is also offered as an option. With consumption values of between 9.1 and 9.8 liters per 100 kilometers in the standard Euro 5 cycle, the new models have outstanding consumption values for their performance categories.

Porsche continued its drive to reduce fuel consumption in February 2009 with the launch of the Cayenne Diesel. The Cayenne comes equipped with a three-liter V6 turbo diesel engine with 240 hp, supplied by Audi. The engine has been further refined by Porsche engineers in cooperation with their colleagues at VW and Audi in order to ensure the best possible integration between the engine and the vehicle. This related in particular to the injection process and volume. The air conditioning compressor switches itself off for a maximum of five seconds when setting off in order to improve handling for the driver. Average consumption in a standard cycle is 9.3 liters per 100 kilometers. The Cayenne Diesel emits 244g of CO_2 per km.

New concepts for the Volkswagen subgroup
The Geneva International Motor Show in March 2009 saw the Volkswagen subgroup present a number of vehicles for the first time.

The highlight at the Volkswagen passenger car stand was the international debut of the new Polo. The fifth generation of the popular model has been revamped in terms of image and technology, while also convincing customers with its high quality. Its clean and fuel-efficient engines and its intelligent design not only meet state-of-the-art automotive requirements, they also raise the bar in the small car segment.

The Audi brand presented the Audi A4 allroad Quattro in Geneva. The model, based on the Audi A4, is also a winner off the beaten track thanks to its permanent all-wheel drive and increased ground clearance, while offering a range of innovative technologies and economical engines. At the same time, Audi presented the coupe version of its high-performance Audi TT RS* to the public.

The highlight of Škoda's trade fair stand was the Yeti, the first SUV from the Czech brand. The vehicle cuts an imposing figure and boasts high standards of safety despite its compact dimensions, and constitutes the fifth model series of the Škoda brand. Škoda has also added the Octavia GreenLine* to its environmentally friendly range.

The SEAT brand mainly drew the attention of visitors to the Geneva International Motor Show with the debut of the new Exeo ST. The station wagon variant of the new mid-class sedan from the Spanish company is characterized by a high level of quality, comfort and safety combined with fuel-efficiency and dynamic handling. All of the Exeo ST's engines are also already compliant with the future Euro 5 emissions standard. With the second generation of the Leon ECOMOTIVE*, SEAT presented the world's first glimpse of one of the cleanest and most fuel-efficient cars in the Golf class. Thanks to more advanced technology and aerodynamic refinement, the compact model boasts average fuel consumption of 3.8 liters per 100 kilometers, and CO_2 emissions of 99 grams per kilometer.

Volkswagen's commercial vehicles division presented the Caddy 4Motion in Geneva, the all-wheel drive version of its successful Caddy series. The Multivan Comfortline also impressed visitors with its long wheel base and above-average interior comfort and luxury.

The Bentley and Lamborghini brands presented high-performance new vehicles based on existing models in the form of the Bentley Continental Supersports*, the first Bentley model fitted for biofuel and the Lamborghini Murcielago LP 670-4 SuperVeloce*.

Visitors to the Bugatti brand's trade fair stand were fascinated by a unique Bugatti Veyron. The Veyron Bleu Centenaire was given a distinctive blue paint job to mark the brand's centenary.

At the end of March 2009, the Volkswagen passenger car brand presented the Golf GTD, an extremely fuel-efficient and at the same time sporty variant of the new Golf, for the first time at the AMI show in Leipzig, Germany. The model, which comes with sports chassis and light-alloy

* Consumption and emission data can be found on page 47 of this report.

hubcaps as standard, reveals its connection with the GTI on the one hand through its highly agile handling characteristics and on the other through parallels in terms of appearance and fittings.

At the April 2009 Auto China show in Shanghai, the Volkswagen subgroup presented the new Passat Lingyu for the first time. The model, conceived especially for the Chinese market and produced locally, is designed to meet the specific needs of Chinese consumers. The classically designed sedan stands out particularly on account of the elegance of its interior, as well as its low-consumption and low-emission engines. The trade fair presence was completed by a presentation of the popular BlueMotion technology. Volkswagen will use this environmental label to increase its efforts to offer low-consumption and low-emissions vehicles in China.

In Shanghai, the Audi brand presented the new generation of the Audi Q7* for the first time. Thanks to the new “clean diesel” technology and other measures such as LED technology and recapturing braking energy, the SUV consumes less than nine liters of fuel per 100 kilometers. It already meets the strict Euro 6 emissions standards, that do not enter into force until 2014. The understated modifications to the front, side and rear design give the new Audi Q7 an even more elegant appearance.

Three SEAT models celebrated their international debut at the same time at the Barcelona Motor Show in May 2009. The exclusively equipped Ibiza Bocanegra and markedly sporty Ibiza FR* were released right on time to mark the 25-year anniversary of the series. Special design elements in both the interior and exterior, a chunky rear spoiler and 17-inch light-alloy wheels make the Ibiza Bocanegra a real looker. The latest version of the Ibiza FR oozes motorsport flair. This is down to the vehicle's dynamic arrow design, flanking double end pipes, bucket seats and rocker switches on the steering wheel. The combination of a 1.4-liter TSI engine and seven-gear double-clutch gearbox also offers an intense driving experience hand in hand with reduced consumption and emissions values. The third global debut in Barcelona was the new SEAT Leon CUPRA*. The most powerful and sporty SEAT model borrows heavily from the successful Leon racing models of the World Touring Car Championships. This is apparent in the honeycomb air intakes in the brawny front fender and the oval end pipe at the rear, as well as its low ground clearance and large 18-inch wheels. The 2.0-liter engine with 177 kW (240 hp) accelerates from 0 to 100 km/h in 6.4 seconds.

At the IAA trade fair in Frankfurt in September 2009, the Volkswagen subgroup presented a number of new models and concepts for the first time.

The Volkswagen passenger car brand gave an impressive demonstration of its competence in the field of developing sustainable mobility. The international debuts of the E-Up! electric car and the L1 full hybrid in particular caught the attention of trade fair visitors and the industry press. The zero-emissions concept E-Up!, based on the New Small Family, is powered by an electric engine with a maximum output of 60 kW, and has a top speed of 135 km/h. The lithium ion battery has a capacity of 18 kWh, which allows journeys of up to 130 kilometers between recharging depending on driving style. The E-Up! is also remarkable for its clear yet emotive design, and the car fits in well with the other models of the New Small Family.

The brand’s L1 concept represents the most economical hybrid vehicle in the world. Powered by both a newly-developed common rail turbo diesel engine and an electric engine, the L1 consumes a mere 1.38 liters of fuel per 100 kilometers. It has a top speed of 160 km/h while emitting just 36g of CO_2 per kilometer. Thanks to its carbon fiber-reinforced plastic body, the car only weighs 380 kg. Aligned seats also ensure that the L1 is extremely aerodynamic, with a drag coefficient of just 0.195.

* Consumption and emission data can be found on page 47 of this report.

Volkswagen passenger cars also produced a number of new launches of its series-production vehicles. In addition to the new three-door Polo, the new BlueMotion generations of the Polo**, Golf* and Passat sedan** impressed visitors, setting as they do completely new standards in their respective segments in terms of consumption, emissions and costs. The successor to the Golf R32, the Golf R*, completed the brand's premium series. Despite its high performance, the most powerful Golf ever is significantly more economical than its predecessors. This is made possible by the new, charged, high-tech TSI, which requires 21 percent less fuel than its predecessors.

Audi impressed the public with its e-tron, a concept for a high-performance, purely electric-powered sports car. Four engines with a combined output of 230 kW propel the e-tron up to a top speed of 200 km/h, with the lithium ion battery allowing for a range of up to 248 kilometers. No less impressive was the presentation of the Audi R8 Spyder, which combines exceptional performance and handling with a feeling of freedom. The brand also presented the Audi S5 Sportback 3.0 TFSI*, the Audi A4 3.0 TDI quattro clean diesel* and the Audi A3 sedan and sportback with newly developed 1.2-liter TFSI engine.

In Frankfurt, Škoda celebrated two world debuts with its Superb Combi and the Octavia LPG*. With its above-average levels of comfort and space, the Škoda Superb Combi sets new standards in the executive segment. It stands out in particular on account of its many clever detailed solutions and stylish design. The Škoda Octavia LPG can run on gasoline or the more cost-effective LPG. CO_2 emissions have been reduced around twelve percent to 149 g/km.

The highlight of SEAT's trade fair stand was the presentation of the IBZ concept, which provided a glimpse of the SEAT Ibiza station wagon planned for 2010. The multifunctional vehicle with an appealing design combines comfort and spaciousness with the sportiness that is typical for SEAT. The ECOMOTIVE variants of the Leon* and Altea* models, which increased SEAT's range of low-emissions, economical cars to five, and the Leon CUPRA R* as the most powerful SEAT ever were other highlights from the Spanish brand.

* Consumption and emission data can be found on page 47 of this report.
** No binding consumption and emission data is currently available for these models.

Bentley presented its new flagship, the Mulsanne**. A sedan with a spacious and elegant interior filled with hand-crafted luxury, coupled with the high performance one would expect from a Bentley. Lamborghini revealed the Reventón Roadster for the first time. The open-top two-seater is one of the most superlative and exclusive sports cars in the world. With less than 20 units built, the Reventón Roadster will be a collector's item.

The international debut of the new generation of the Multivan and California drew the attention of visitors to Volkswagen's commercial vehicles stand. The chassis was designed in accordance with Volkswagen's design philosophy. The front in particular has been made even more confident. The bestseller has also made great technological advances. Thanks to common rail engines, seven-gear DSG and a range of support systems, it is more economical, comfortable and produces fewer emissions than ever before.

In addition to the number of new series production vehicles, the Volkswagen subgroup is causing a stir with a large number of innovative concept cars and studies.

The Golf twinDRIVE introduced an innovative propulsion concept as a plug-in variant, proof that mobility using electricity from the mains socket can work in combination with the long-distance mobility of a combustion engine. A fleet trial of the twinDRIVE is being prepared for the period from 2010 to 2012.

At the North American International Auto Show in Detroit in January 2009, the Volkswagen subgroup kicked off the automotive year with the world premiere of the Concept BlueSport, a compact mid-engined roadster that sparks enthusiasm with its high performance and low consumption. Powered by a 132 kW (180 hp) Clean Diesel (TDI) engine with common rail injection, the nimble two-seater needs an average of 4.3 liters of diesel per 100 kilometers, while only emitting 113g of CO_2 per kilometer. The Concept BlueSport reflects modern automotive manufacturing, and generated a great deal of interest among customers by being both fun to drive and kind to the environment.

The brand presented the concept for the new Polo Blue Motion** for the first time alongside the new Polo at the March 2009 International Motor Show in Geneva. Its 1.2-liter TDI engine needs only 3.3 liters of diesel for every 100 kilometers driven, while emitting a mere 87 grams of CO_2 per kilometer. These outstanding values are achieved in part using an automated start/stop function and a system for reusing the energy generated by the brakes. The most economical five-seater in the world will be launched in 2010. The Volkswagen passenger car brand also introduced a range of other environmentally friendly models in Geneva. In addition to the BlueMotion versions of the Golf* and Golf Plus**, the Touran TSI EcoFuel with natural gas engine and 110 kW (150 hp) made a particular impression. With average consumption of 5.2 liters per 100 kilometers, the Passat CC Blue TDI showed that sporty sedans do not necessarily harm the environment.

Joining forces through strategic alliances
Collaborations with other vehicle manufacturers are becoming increasingly important in order to gain access to new market segments. By combining skills and know-how, development costs are kept down, and investment shared between several partners. In addition to collaborations between the Porsche and Volkswagen subgroups on the development and production of the Volkswagen Touareg, Audi Q7 and Porsche Cayenne, the Volkswagen subgroup in particular has worked with Daimler AG on the production of the Volkswagen Crafter and Mercedes-Benz Sprinter, as well as with the Chrysler group on the production of the Routan, an MPV for the US market.

* Consumption and emission data can be found on page 47 of this report.
** No binding consumption and emission data is currently available for these models.

In the interest of a swift market launch of SunFuel, a second-generation biofuel, the Volkswagen subgroup also seeks to form collaborations with and directly invest in companies involved in the production of these fuels. The decision to promote and pursue the development of new fuels together with CHOREN Industries was already made in 2002. This led to the Volkswagen subgroup purchasing a share in CHOREN in 2007. In the long term, the plan is for SunDiesel to be produced in Germany, applying sustainable minimum standards.

Volkswagen has also long collaborated with IOGEN, with the intention of producing cellulosic ethanol in Germany. IOGEN is a world leader in the production of cellulosic ethanol, a fully renewable, second-generation biofuel.

On 12 February 2009, Volkswagen and Toshiba Corporation signed a letter of intent for the joint development of electric drives and the related power electronics for future vehicle projects. Another aspect of the cooperation is the development of high energy-density battery systems for the next generation of electric vehicles. The Volkswagen subgroup aims to be the first automotive manufacturer to offer an emission-free, affordable and safe electric vehicle in volume production. To make the necessary progress in research and development, in particular in the field of lithium ion battery technology, Volkswagen is working with other potential technology partners in addition to Toshiba.

As part of the subgroup's 2018 strategy, Volkswagen will reinforce its operations in South East Asia in the future. In order to be able to tap into the markets of this region in the long term with locally manufactured vehicles, an agreement was reached in May 2009 with the Indonesian partner firm "Indomobil" to begin the assembly of partially knocked-down Volkswagen passenger car models from summer 2009. The first model is the Touran compact van, with an initial capacity of several hundred units. In the future, vehicles from more of the subgroup's brands will be added.

In May 2009, Prof. Dr. Winterkorn, CEO of Volkswagen AG, and the CEO of the Chinese automobile manufacturer BYD also signed a memorandum of understanding. The aim of this memorandum is to assess opportunities for collaboration in the field of lithium-battery-powered hybrid and electric vehicles.

Increase in capitalized development costs
In fiscal 2008/09, research costs and non-capitalized development costs rose to 2.7 billion Euro on account of the inclusion of the Volkswagen subgroup (prior year: 0.9 billion Euro). Development costs totaling 1.2 billion Euro were capitalized compared with 0.1 billion Euro in the prior year.

In the first half of 2009, research and non-capitalized development costs at the Volkswagen subgroup amounted to 2.1 billion Euro. The capitalization rate for the Volkswagen subgroup was 30.6 percent, mainly due to an increase in new products on account of the model campaign.

Industrial property rights and licenses
The volume of patent applications submitted by the Porsche subgroup rose in order to effectively protect the results of its research and development activities. A particular focus was on the innovations in the new Panamera. In light of the increasing international competition for industrial property rights, Porsche conducts comprehensive patent monitoring for development projects.

The Volkswagen subgroup obtains many patents in Germany and abroad each year. These mainly concern innovations in electronic support systems and emissions-cutting measures for propulsion systems. The high volume and technological quality of the patent applications shows employees' extensive innovative abilities when it comes to having ideas.

Consumption and emissions

Model	Output kW (PS)	Fuel consumption urban (l/100km)	Fuel consumption extra-urban (l/100km)	Fuel consumption combined (l/100km)	CO_2 emissions combined (g/km)
Audi A4 3.0 TDI quattro clean diesel	176 (240)	8.7	5.5	6.7	175
Audi Q7 3,0 TDI clean diesel quattro	176 (240)	11.2	7.6	8.9	234
Audi S5 Sportback 3.0 TFSI	245 (333)	13.8	7.3	9.7	224
Audi TT RS Coupé	250 (340)	13.1	6.9	9.2	214
Bentley Continental Supersports	463 (630)	25.0	11.4	16.3	388
Lamborghini Murciélago LP 670-4 SV	493 (670)	32.0	13.7	20.6	480
SEAT Altea ECOMOTIVE	77 (105)	5.2	4.1	4.5	119
SEAT Ibiza FR	110 (150)	8.1	5.3	6.3	146
SEAT Leon CUPRA	177 (240)	11.4	6.5	8.3	199
SEAT Leon CUPRA R	195 (265)	10.7	6.6	8.1	190
SEAT Leon ECOMOTIVE	77 (105)	4.6	3.2	3.8	99
Škoda Octavia GreenLine	77 (105)	5.5	3.7	4.4	114
Škoda Octavia LPG (autogas)	72 (98)	12.7	7.3	9.2	149
Škoda Octavia LPG (petrol)	72 (98)	9.8	5.6	7.1	169
VW Golf Limousine BlueMotion	77 (105)	4.7	3.4	3.8	99
VW Golf R (6-speed DSG)	199 (270)	11.2	6.8	8.4	195
VW Golf R (6-speed manual)	199 (270)	11.8	6.7	8.5	199

Procurement

The cost of materials at the Porsche group came to 33.8 billion Euro in fiscal 2008/09, up from 4.2 billion Euro in the prior year. This increase is primarily due to the inclusion of the Volkswagen subgroup for the first time. Taking into account consolidation effects from the Volkswagen subgroup, the cost of materials at the Porsche subgroup fell 17.5 percent to 3.4 billion Euro.

Cost of materials and development of prices for raw materials
In the reporting period, the price situation improved considerably following the previous record levels for key commodities. In addition to oil prices, prices for precious metals saw drastic decreases following historic highs in the prior fiscal year. The prices of steel and aluminum also fell considerably, which led to the fall in prices for raw materials having a positive effect on the overall cost of materials.

The Porsche subgroup continued to mitigate fluctuations in prices for raw materials by means of targeted hedging measures as well as compensatory measures with regard to other cost elements of production materials. Porsche adjusted its vehicle manufacturing volumes to the slump in global demand for luxury vehicles at an early stage. Requirements for production materials therefore declined in the reporting period due to economic circumstances.

The Volkswagen subgroup began employing targeted strategies to combat the difficult situation on the commodities market at an early stage, a method which is being consistently followed. In the future, the focus will be on the strategic alignment of the supplier portfolio. Local involvement in India, Russia and the US plays a particularly important role.

Successful product start-ups
The start-ups of the Cayenne Diesel, the new 911 GT3 and the fourth Panamera model series constitute significant milestones in the Porsche subgroup's procurement processes. As with previous models, Porsche was able to implement the start-up of the Panamera within a brief period of time. Close cooperation between multidisciplinary teams and the suppliers selected for the new model series ensured that the assembly lines at the production facilities recently set up in Leipzig were kept fully supplied. All partners involved went to great lengths to start series production of the Panamera with its numerous technical innovations on time and with a high standard of quality.

The innovations introduced with the Panamera in addition to the Porsche Doppelkupplungsgetriebe (double-clutch gearbox) and the first automated start/stop function in conjunction with an automatic transmission include the new adaptive air suspension with additional volume at the push of a button in each spring and an adjustable, deployable rear spoiler in the case of the top Panamera Turbo model.

Please refer to our comments in the section on research and development for new product start-ups at the Volkswagen subgroup.

High performance from suppliers
The high proportion of value added by third parties at the Porsche subgroup is the reason why the performance and stability of the supplier base are so highly valued. This is why Porsche's supplier management function has worked hard on developing the performance of suppliers in the course of the reporting period. As in prior years, these activities include supporting suppliers with securing the start-up of new vehicle projects, implementing preventive measures to safeguard trouble-free series development, as well as on-site assignments to secure series supply.

The results of the regular performance assessment of Porsche's suppliers improved once again on the prior year's level. Performance in the vehicle development process stabilized at a high level. The results with regard to quality, punctuality and cost discipline for ongoing series production improved still further in the reporting period. The same positive development was seen for the supply of spare parts.

In the course of the ongoing crisis in the automotive sector, Porsche also found itself exposed to considerable supply-side risks. A greatly increased number of critical and insolvent suppliers required support in the reporting year in comparison to the prior year. As a result, the earnings and liquidity risks for individual suppliers as well as the insolvency cases could be dealt without any disruption to supply.

This shows once again that the risk management system in place for some years now to monitor the financial stability of suppliers is an effective tool for the timely recognition of supply risks. The financial assessment therefore remains an important criterion for the selection of suppliers that is firmly integrated into the award system, along with the evaluation of supplier performance.

Procurement of non-production materials
The focus of the Porsche subgroup's procurement activities in the field of non-production materials in fiscal 2008/09 was on the construction of the Porsche Museum, the enlargement of the spare parts warehouse in Sachsenheim, and the awarding of contracts for the new paint shop at the headquarters in Zuffenhausen.

The procurement of non-production materials and services also saw volumes fall below the record levels of the prior year due to the crisis in the industry. Despite the challenging economic environment, the targets set for the cost of materials for the individual model series were met by introducing corresponding product and process optimization measures.

Activities in connection with the introduction of the standardized procurement of non-production materials at the Porsche subgroup proceeded according to plan, with additional group companies being integrated.

Purchased parts at the Volkswagen subgroup
The Volkswagen subgroup has established new planning and decision-making processes with regard to purchased parts, as well as new, group-wide systems to plan and maintain capacity. This reduced the number of parts on the critical supply path. This approach will be rolled out to all sites, both existing and under construction.

Consistent penetration of new markets
The new manufacturing facilities in India, Russia and the US represent a twofold opportunity for group procurement at the Volkswagen subgroup. On the one hand, local procurement activities can identify potential cost benefits and reduce costs, as well as meeting statutory requirements (including local content requirements). On the other, local suppliers may also provide cost-effective sources for procurement in other regions. Both opportunities are being carefully assessed in the course of procurement activities for the new plants. Extensive use is being made of local markets for production in order to optimize the cost of materials for products in new growth markets. It is important to assess the extent to which specifications can be adjusted to meet local requirements. The Volkswagen subgroup also increases its value added in these markets through the localization of manufacturing, for example striving to find cost-effective sources for the procurement of raw materials in the respective regions at an early stage.

The C3 sourcing program (Cost Competitive Countries sourcing) makes full use of these factors. The aim is to take advantage of the cost benefits of competitive procurement markets for European vehicle projects. While maintaining standards of quality, this creates and builds on synergies with local production for export. The purchased-parts management of the regions throughout the world forms an integral part of this program. It supports suppliers at the various group sites both with the localization of manufacturing in the respective country, as well as with the export of components to other countries and manufacturing facilities. In this way, the C3 sourcing program plays an important role in achieving target costs for new vehicle projects at the start of series production.

Production

The start of production of the Gran Turismo Panamera was the greatest challenge faced by the production division of the Porsche subgroup in fiscal 2008/09. From series start-up in April 2009 until the end of the reporting year on 31 July 2009, the Leipzig plant produced 1,920 units of the Panamera. A total of 76,739 vehicles rolled off the line in the reporting period, a decrease of 27 percent on the prior year. Porsche was unable to escape the global slump in demand, and was forced to adjust its production. The floating concept with the contract manufacturer Valmet once again proved its worth. The Boxster was reintegrated in order to ensure full utilization of capacity at the main plant in Zuffenhausen.

Production of the 911 series came to 27,776 units at Stuttgart-Zuffenhausen, while the team at Porsche’s main plant also assembled 2,146 units from the Boxster series. 12,257 further units of the mid-engined Boxster and Cayman vehicles were produced by Valmet in Finland. 32,640 Cayennes were built in Leipzig.

The Volkswagen subgroup produced 2,822,649 vehicles in the first half of the year. Production in Germany made up 32.7 percent. The critical situation on the market meant that production volume had to be adjusted, which also reduced inventories and improved working capital.

Leipzig as a high-performance facility
In April 2009, the series start-up of Porsche's fourth model series at the Leipzig plant marked the beginning of a new era. The most advanced automobile factory in the world uses the latest manufacturing methods to produce the Panamera and the Cayenne off-roader. Led by Michael Macht, executive board member for production and logistics at the time and new CEO of Porsche AG, the principles of streamlined manufacturing have been implemented at the plant in Saxony in a way that is unrivalled anywhere in the world.

The facility had to be expanded in order to integrate the Panamera. Porsche invested around 150 million Euro in a new 25,000 square meter assembly hall, a logistics center, a pilot testing and analysis center and a training facility.

The production of the sporty Cayenne off-roader, which began in 2002, already made the Leipzig plant a success story for Porsche AG. The prerequisites for the equally successful assembly of the Panamera were therefore given. The Porsche subgroup developed a new logistics concept for the production of the Panamera that brought about groundbreaking improvements. An exact timeline and process description, involving all suppliers, now allows parts to be delivered in rapid succession prior to further processing on the line. This makes expensive storage facilities superfluous for all intents and purposes – a first in this form in the global automotive industry. As the suppliers are mainly German companies, the domestic contribution to value added for the Panamera comes to more than 70 percent. The Gran Turismo Panamera therefore represents the "Made in Germany" seal of quality, fully in keeping with Porsche’s glorious tradition as a manufacturer of sports cars.

The construction of both the Cayenne and the Panamera on a single assembly line also constitutes a logistical tour de force. Almost all of the engines for both models are delivered to Leipzig from Porsche’s main plant in Zuffenhausen. The partially fitted Cayenne bodies are transported by rail from Bratislava, while the painted Panamera bodies are delivered by train from the plant of the group company Volkswagen commercial vehicles in Hannover. The interior of the Panamera is first assembled on a single line. When both bodies have reached the same stage of production, they are assembled on the same line until completion, despite unlimited possibilities for the equipment and personalization of both models.

Even when constructing the plant in Leipzig, which went into operation in August 2002, Porsche consistently applied the principles of a streamlined factory. At the time, the project benefited from experience gained at the Zuffenhausen plant in the early nineties, when Porsche had restructured its main plant according to the Japanese model and in so doing got back on the road to success. The Leipzig plant also has a highly modern visitors' center, a test track, and a six-kilometer off-road circuit. And that's not all. 70 aurochs and a herd of wild horses live peacefully in the plant's nature reserve.

Highest quality standards

Efforts to improve quality at the Porsche subgroup were once again acknowledged in the reporting period. In the US, the vehicle manufacturer's largest export market, the well-known market research institute J.D. Power confirmed Porsche's achievement of its quality goals. In its latest survey entitled "Initial Quality Study", J.D. Power not only found that Porsche came in second (behind Lexus) in the overall rankings, this result puts it ahead of all other European manufacturers, and near the top of the prestigious brand survey for the fourth time in a row. The automobile manufacturer from Stuttgart claimed first place in the surveys from 2006 to 2008. J.D. Power assesses the satisfaction of new vehicle customers in the first 90 days following delivery. Using a catalog of no less than 228 criteria, just over 81,000 customers were asked for their opinion on quality and workmanship.

These successes are the fruit of relentless quality work and customer orientation in development, production and sales. The challenge is not to reach a high standard of quality within a short space of time, but rather to maintain it for many years.

The key to the satisfaction and loyalty of the Volkswagen subgroup's customers is to exceed their expectations of the products. The perceived quality of the product is particularly important. This mainly involves reliability and associated quality, as well as service. Only when customers are positively surprised and impressed in all of these areas can Volkswagen claim to provide exceptional quality for all brands and vehicle segments, and that is the Volkswagen subgroup's objective.

Concerted efforts undertaken throughout the group to achieve this goal have had a significant effect. The number of claims for damages has fallen sharply since January 2006. The group's vehicles are among the front-runners in the long-term quality tests conducted by ADAC and TÜV. In addition, new models received consistently high ratings.

In order to win over customers, a vehicle from the Volkswagen subgroup must be a competent all-rounder. Both the exterior and the interior of the vehicle should convey quality and value, as well as precision and attention to detail. All of the group's brands are focusing more on this associated quality, which is largely determined by the use of innovative and high-quality materials. This is also where standards will be set in the future. The sixth-generation Golf is the latest model to be defined by this quality standard. As the most luxurious vehicle in its class, it sets the standard for quality in the compact segment, due in part to its outstanding acoustic qualities.

Flexible utilization of production facilities
The Volkswagen subgroup has 61 production sites spread across Europe, America, Africa and Asia. Vehicles are assembled at 41 of these locations. The main objective is to manufacture products that have been designed with production in mind while keeping a strict eye on added value, with short throughput times. This is particularly aimed at making efficient use of resources. Significant advantages in terms of market-compliant production are gained, for example, by means of the turntable concept, which allows the flexible utilization of capacities at plants in response to demand. In the future, the ability to produce several models on one assembly line will be an important factor for success.

Productivity must be increased in light of the difficult market situation. The global implementation and refinement of Volkswagen's production system, with standardized methods and standards for all of the subgroup's brands and facilities, will boost progress in this regard.

The modular building block concepts which accelerate the development of new vehicle models and variants allow the use of the same modules and assemblies in different vehicles. These concepts will help Volkswagen achieve the level of flexibility required to respond to fluctuations in demand.

The Scania brand's building block system stands for profitability, growth and competitiveness, while also allowing highly flexible production. A truck is viewed as the combination of a driver's cab, engine, drive train and chassis. The building block system allows a wide range of models to be produced using a small number of different components. This enables vehicles to be equipped in accordance with customers' individual wishes. The system rests on the brand's core competencies, and has now been rolled out to all manufacturing facilities. This has created a uniform production environment which allows manufacturing volume to be flexibly reassigned among locations. The building block system also allows uniform environmental standards to be kept at all manufacturing sites.

Sales and distribution

Sales and distribution network at the Porsche subgroup
The Porsche subgroup's sales and distribution network was mainly involved in preparations for the new Panamera in the reporting year. In addition to opening a number of Porsche centers at new locations, the quality of existing retail facilities was improved. A total of just under 700 dealerships in 107 countries were taking care of Porsche customers as of the end of fiscal 2008/09.

The "Road to Panamera" initiative enabled Porsche to prepare dealers for the launch of the new Gran Turismo by means of individual plans of action. The new, fourth model series from the automobile manufacturer based in Stuttgart went on sale in Germany on 12 September 2009. Since then, demonstration vehicles have stood at licensed German dealers for test drives, and purchase agreements containing delivery commitments and deadlines can be signed. The Panamera then went on sale across Europe, South America and parts of Asia in September. This was followed by North America and Australia in October. Sales begin in China in early 2010.

The enormous construction efforts throughout the entire dealership network underscore continued faith in the Porsche brand. In the reporting period, dealers and importers completed an average of two construction or reconstruction projects per week. The partners are able to rely on the long-term continuity of the Porsche brand architecture. Since being introduced in 2000, the architectural concept has remained modern, with only details adjusted to meet new market or product requirements. The continuity of the concept safeguards the investment made by the dealers, giving them reliable payback periods. This is just one reason for the high degree of stability in the dealership network, even in difficult economic times. On the other hand, the long-term nature of Porsche's brand architecture leads to a level of penetration throughout the network that is unique within the automotive sector. Customers and interested parties are now given a brand-specific presentation of the vehicles in 95 percent of all showrooms.

Construction activities have been and continue to be supported by a range of professionalization initiatives within the sales and distribution organization. The aim is always to give customers the best possible support and improve market exploitation. They include activities such as “mystery shopping” programs, training on product, process and management issues, the sharing of best business practices and process optimization. With all these activities, Porsche reinforces its premium position within the sales and distribution organization.

Highest level of customer satisfaction
Porsche’s appeal to automobile fans around the world is revealed each year in the results of many surveys. The string of opinion polls by the renowned US market research institute J.D. Power in which Porsche has come out on top is particularly impressive. It is a striking indicator of the high level of US customers’ satisfaction with the Porsche brand. In fiscal 2008/09 Porsche claimed first place for the fifth time in succession in J.D. Power's “Automotive Performance, Execution and Layout Study (APEAL)” survey. The study, in which 81,000 people evaluated their vehicles in the period between November 2008 and February 2009, reflects the satisfaction of new-vehicle owners in the first 90 days following their purchase. The catalog of criteria examined by the “Apeal” study covers areas such as handling, performance, design, comfort and practicality.

Sales and distribution structure at the Volkswagen subgroup
Constant changes in customers’ expectations and economic conditions also make it necessary for the Volkswagen subgroup to actively manage sales and distribution channels while constantly optimizing structures and processes. This improves profitability along the entire distribution chain. The strategic goal pursued by the subgroup is to continue to develop flexible multichannel management that opens up innovative distribution channels, strengthens brands and improves both the appeal of the brand and customer satisfaction. The multi-channel strategy is structured differently for each brand depending on that brand's specific target groups and market segments. However, it always stays within the group objectives set by Volkswagen.

The sales and distribution business processes are constantly undergoing optimization and reorganization. This has the main aim of improving sales performance and reducing costs at all levels of distribution. The capacity freed up by the standardization and reduction of IT systems at wholesale and retail level therefore benefits processes that add value.

Market-specific and cross-brand projects aimed at optimizing business processes have been initiated at the non-German sales companies. The focus is on better utilizing synergies at all levels of the company, improving efficiency and optimizing costs. This could result, for example, in the centralization and standardization of cross-brand service agreements. In addition, concepts have been drawn up for optimizing warehousing and logistics. The resulting reduction in overheads and improved productivity serve to increase overall profitability and the appeal of the Volkswagen subgroup’s sales and distribution system.

Loyal customers
The satisfaction of customers with the group’s brands is gauged on a regular basis in a number of countries using targeted surveys, mainly concentrating on the fields of product and service. The results are analyzed and evaluated with regard to their contribution to achieving targets, before corresponding measures for improvement are drawn up. In the core European markets, the Audi and Škoda brands came top of the field with regard to satisfaction with product and service. The other group brands also have overall satisfaction figures that are either equal to or ahead of the competition.

Customer satisfaction is the basis for customer loyalty. Loyal customers demonstrate their faith in the Volkswagen subgroup's brands, as the loyalty rates clearly show. Volkswagen was able to maintain a high level of brand loyalty in the core European markets. Škoda is also among the front-runners in terms of brand loyalty, as it has been for years.

Fleet customer business expanded

The "Volkswagen Group Fleet International" division, established as a central point of contact for the international fleet business with the group's vehicles, has continued to make a name for itself. A processing system for the national fleet customer business was created in recent months and rolled out to all importers on a step-by-step basis, beginning in the UK. This system will in future allow the integration of national fleet customer activities, creating an international platform for this increasingly important sector. The Volkswagen subgroup's international network has incorporated countries from global growth regions in the interest of group strategy.

Service processes at the subgroups improved further

The quality assurance organization and processes were made more compatible with the customers' needs where necessary, thus further improving service quality. This is shown among other things by the reduced number of repeat repairs and corresponding increase in customer satisfaction. Because the service provided by the dealerships has such a significant impact on customer satisfaction, Volkswagen will continue to improve its repair and service activities in the future.

The Porsche subgroup acknowledges the great importance of service quality for the satisfaction and loyalty of its customers by continuously refining its service processes and the technical quality of its repair activities. Porsche Service focuses on training service consultants and technicians at dealerships, carrying out service audits, avoiding repeat repairs and optimizing the service tools provided to the retail organization. These steps help the continued professionalization of service processes, while also securing customers for the brand and the Porsche retail organization in the long term. This is reflected in an outstanding result for Porsche Service in the AutoMarxX study carried out by ADAC in June 2009, in which Porsche was named best German manufacturer in the "workshop satisfaction" category.

Employees

Even in challenging economic times, Porsche can rely on a highly-motivated and dedicated workforce. This is a significant factor that has enabled Porsche to continue competing in an increasingly tough market environment in the reporting year. At all of Porsche's facilities, the employees identify strongly with the company, and are committed to ensuring Porsche's future success. As of 31 July 2009, the Porsche group employed a total of 375,959 people. Porsche excluding Volkswagen accounts for 12,652 of these employees. This means that the Porsche subgroup employed 450 more people than twelve months before. New jobs were mainly created in the reporting period at the Leipzig plant, as well as at the service companies such as Porsche Consulting GmbH, Porsche Logistik Gesellschaft and Porsche Engineering Services. The importer Porsche China also created new jobs in connection with its expansion. As of the balance sheet date, 225 employees were in the passive phase of phased early retirement, while 314 were in training.

As of 30 June 2009, the Volkswagen subgroup had 347,013 active employees, with an additional 8,308 in the inactive stage of phased early retirement. 7,986 people were in training. Overall, the Volkswagen subgroup had 363,307 employees at the end of the first half of the year. This was a reduction of 1.8 percent from 31 December 2008. The number of employees in Germany came to 171,616 (minus 1.6 percent). The German share of the workforce rose from 47.1 percent at the end of 2008 to 47.2 percent.

Personnel development initiatives are constantly ongoing in order to continue to boost the performance and enhance the skills of the workforce. The focus is particularly on professional training procedures, improved developmental paths for professionals and graduates, and building on expert know-how.

Realignment of the Porsche subgroup
The HR division of the Porsche subgroup implemented a project aimed at optimizing business processes in fiscal 2008/09. The objective was to make Porsche's HR processes more efficient, minimize the number of interfaces and conduct HR work at the highest professional level.

The structure is based on a Porsche-specific HR business model with three roles:

– HR Centers of Competence assume the central management of general issues such as management and personnel development concepts, fundamental personnel issues, remuneration policy and personnel marketing for Porsche AG and its subsidiaries. These centers of competence are responsible for the entire group, and are authorized to make decisions and produce guidelines for the drafting of HR concepts and fundamental issues.

– The first point of contact for all managers and employees are the HR business partners, who are organized by target group. Their task is to manage the core HR processes for the respective areas for which they are responsible. This includes target group-specific planning, documenting requirements, recruiting, support and development of employees and exit support. The HR business partners will in future be organized geared to the needs of the entire group by involving the HR functions of the subsidiaries.

– Advisory services and the implementation and administration of recurring tasks such as the payroll and the processing of the company pension are combined in one efficient service center. Today, this primarily serves Porsche AG and the German subsidiaries, but in the future it will increasingly take on activities for the international subsidiaries.

The realignment of the HR division brought about significant process improvements. The HR business partners are one single point of contact both for the departments of Porsche AG and for the subsidiaries for all HR issues (concept of one face to the customer). The HR business partners manage all process stages from a group point of view, from employee selection to support for overseas assignments and successful reintegration. They are supported by the HR centers of competence that create the most efficient parameters for HR work and supply professional know-how. This know-how is now available to all subsidiaries in Germany and elsewhere thanks to the new group-wide alignment, so that even new subsidiaries in growth markets are guaranteed HR support of a uniformly high standard and a high degree of process stability.

Effective data security

In December 2008, the Porsche subgroup removed data security from the financial planning and information management division and incorporated it into the corporate security division. This combines the conventional security mandate with its digital counterpart, allowing "single-source security".

In this context, the executive board of Porsche AG approved the concept of an information security management system (ISMS) based on the ISO/IEC 27002 international standard and best practices. The ISMS is a further component of the company-wide risk management system pursuant to Sec. 91 (2) and Sec. 93 AktG ("Aktiengesetz": German Stock Corporation Act). The necessary decision-making bodies and reporting and escalation structures commenced their duties. With the expansion of the range of corporate security tasks and the development of the necessary security processes, Porsche is in a position to implement and maintain a level of security throughout the world that is tailored to business processes.

Professional training
The new course of training as an automotive industrial engineer began in September 2008. Over a period of three and a half years, highly qualified employees will be trained for production (more specifically engine construction and vehicle assembly) in accordance with this new job profile at the Porsche subgroup. At the same time, the training of automotive mechatronic technicians was tailored even more to the requirements of the development workshops and after-sales functions. A comprehensive basic course of training that is offered by the training center and based on the state of the art ensures that automotive mechatronic technicians have a good grasp on the increasing complexity of electrics and mechanical assemblies.

At the project workshop of the training center, trainees from a range of professions learned to work even closer together. The young employees carried out a number of tasks under the leadership of the trainer. Among other things, they converted two Cayennes into vehicles for emergency doctor call-outs for the Stuttgart fire department. The trainees also made a scale model of the Panamera, and in the process were able to familiarize themselves with all of the new car's technical features.

In fiscal 2009/10, professional training at the Porsche subgroup will focus on expanding panel-beating skills, in order to ideally prepare future employees for the increased use of aluminum in addition to steel, and the new manufacturing procedures.

P-ERA introduced
With the introduction of the P-ERA pay framework on 1 March 2009, Porsche AG has created a uniform model for the remuneration of all employees governed by collective bargaining. P-ERA is based on the collective remuneration agreement (ERA) concluded between the negotiating parties in the metalworking and electrical industry. This agreement was adapted to the specific requirements of Porsche's labor organization in the course of negotiations between the executive board and the group works council, with the consent of the negotiators in the collective bargaining process.

Company collective agreements concluded
In the reporting year, company-specific collective agreements were concluded with the IG Metall trade union for Porsche Logistik GmbH (PLoG) and Porsche Dienstleistungsgesellschaft mbH (PDLG), both subsidiaries of Porsche AG. The focus was on creating a company-specific system of remuneration that does justice both to Porsche's high quality standards and industry-specific issues. The provisions of the collective agreement also govern tools for flexible working. The objectives were implemented by mutual agreement with the employee representatives and IG Metall.

Constructive idea management
In fiscal 2008/09, the Porsche subgroup was once again able to benefit from numerous suggestions for improvement. This was supported by idea management, an indispensable tool for the targeted promotion and utilization of innovative potential. An entrepreneurial mindset and high level of motivation among the workforce will remain vital to the future success of the company.

A preferred employer
The most significant German surveys of employer appeal confirmed Porsche's position as one of the most popular employers of choice for students and graduates in the fields of engineering and business studies. This outstanding image is a fundamental requirement for attracting high-potential candidates in the future.

Young professionals and management trainees at the Volkswagen subgroup
The Volkswagen subgroup has vertical and horizontal development paths that lead all the way to management. Both young professionals and management trainees are handpicked and given support.

The management selection procedure was revised in the course of the realignment of personnel development at the Volkswagen subgroup. Emphasis is given to professional management tasks and the skills these require. In addition to professional skills, the focus of personnel development is increasingly on management functions. Managers are to receive even more intensive preparation and support for their work in the future.

Personnel planning, the filling of vacancies and the promotion of young talents, particularly those with expert knowledge, are based on uniform standards across HR systems, such as brief biographies of all managers and management trainees. This gives an overview of the potential in the Volkswagen subgroup in the form of a systematic planning process.

Country-specific knowledge on the part of local management is crucial to the development of and operation in growth markets. This is why increasing support is being given to local management. To this end, the Volkswagen subgroup also promotes the assignment of young talents from its international companies to Germany for a limited period of time. This gives employees the opportunity to continue their professional development, build on their intercultural skills and establish professional networks. And when management vacancies are to be filled, international assignments between group companies play an important role.

Occupational health and safety at Volkswagen
One of the Volkswagen subgroup's most important objectives is to maintain and improve its employees' health, performance and satisfaction at the workplace. In order to achieve this, aspects of occupational health and safety have been incorporated into all relevant group processes, applying international standards. This not only enables the Volkswagen subgroup to fulfill its social obligations, but also makes a lasting contribution to the success of the company. The issue of occupational health and safety is addressed throughout the group, and is therefore increasingly dealt with and communicated by the various corporate divisions. For example, employees at the international locations of all group brands exchange knowledge and experience, and together draw up new concepts for continuously improving occupational health and safety.

Employees' ideas recognized
The employees of the Volkswagen subgroup once again submitted a great many ideas for improvements in the past fiscal year. These helped enhance the quality of products and the efficiency of processes. The implementation of the proposals reduced costs at the group. The employees received bonuses for their creativity and active participation in the development of the company.

Environmental management in the Porsche subgroup

Management at a high level

At the Porsche subgroup, accountability for actions and economic success are inextricably intertwined. Protecting the environment is anchored in the principles of the company and is an integral component of corporate policy. This ensures that environmental goals and efforts in this direction are implemented throughout the entire group.

The express intention of Porsche is to minimize the detrimental consequences of all of its activities on the environment, while also supporting international efforts to solve global environmental problems.

Environmental management has established itself as an effective instrument for improving the environmental performance of the company's locations. Porsche uses this management system to steer its projects and actions thereby promoting sustained improvements to environmental protection at the company. The environmental documentation, the internal controls in the form of environmental audits, the management of continuous improvement projects aligned to environmental goals and employee training are just some of the instruments used to promote this long-term corporate strategy. In sum, Porsche AG is able to efficiently translate the responsibility which the company has taken on to protect the environment to practice.

In the reporting period the environmental management system in place at out locations in Zuffenhausen, Weissach, Leipzig and Sachsenheim was further fine-tuned. Future potential is identified during regular audits of the system and processes and realized accordingly.

The audit involves input from a consultant qualified as an environmental auditor. This ensures the high quality of environmental management in future.

Other controls include the European-wide Eco-Management and Audit Scheme ("EMAS") and the international DIN EN ISO 14001 standard. The environmental management system is evaluated by environmental auditors from TÜV accordingly. Once again, the audits closed with pleasing results in the fiscal year 2008/09.

Actively involved in environmental protection

As one of the most innovative automobile manufacturers in the world, environmental protection and conservation count among the most important goals of the company. For example, Porsche AG actively participates in the current discussions on environmental protection and climate change and constantly endeavors to improve the environmental protection measures at its manufacturing sites.

The corresponding measures, which are spread over all manufacturing sites, have helped to reduce key environmental indicators such as CO_2 emissions and waste levels, and therefore to meet the strict targets and regulations imposed by the legislators.

The company developed a concept to reduce the consumption of energy and resources which defines both short-term and long-term measures at various levels. The short-term plans are precisely defined in the specific local target agreement process within the Porsche subgroup and are implemented on this basis. The long-term goals are integrated in the working groups and corporate activities and therefore secure the long-term alignment of the subgroup with these goals.

Drives for the future
It was always a tradition at Porsche to build the company and all its vehicles on the twin pillars of perfectionism and a passion for development. This will not change in future. With the current developments in the field of combustion motors and hybrid drives, the Porsche subgroup is making its contribution towards reducing emissions by the transport sector.

Porsche AG is convinced that both petrol and diesel combustion engines will remain the main power source for passenger vehicles in the coming years. Correspondingly, the company is striving to improve the environmental specifications of its vehicle engines, the most important source of vehicle emissions. With high expenditures, the other technology used in automobiles is also becoming progressively more environmentally friendly. The new Porsche Doppelkupplungsgetriebe (double-clutch gearbox) used in the sports cars and the Panamera model reduce CO_2 emissions significantly. Measures to reduce weight and improve aerodynamics complete the program. The continuous improvements in the environmental performance of all Porsche vehicles coupled with the simultaneous increase in their customer appeal convey a clear message.

For example, the Cayenne Diesel introduced in February 2009 offers sports handling and a high degree of control, the typical features that make a Porsche such fun to drive. Nevertheless, the diesel engine displays a fuel consumption of just 9.3 liters per 100 kilometers with CO_2 emissions of 244 g/km. The introduction of the diesel signals the start of Porsche's drive to reduce fuel consumption consistently in future. In the spring of 2007 Porsche had already equipped the new generation of Cayennes with direct fuel injection engines that result in fuel savings of up to 15 percent in normal driving conditions.

In future the Porsche subgroup will continue this policy of constantly reducing fuel consumption and making all related improvements to the other features of its models, thereby improving its competitiveness also in terms of efficiency gains.

Currently the focus is on developing a fully-hybrid power train. The Cayenne Hybrid, which will be launched on the market in 2010, and the planned Panamera hybrid are the best examples that innovative technology and the art of engineering can be combined to reconcile sports cars with the need for environmental protection.

Environmental management in the Volkswagen subgroup

In order to secure the future of the company, the Volkswagen subgroup has committed itself to integrated environmental protection which involves assessing and considering in advance the impact of its manufacturing processes and products on the environment.

Consequently, the Volkswagen environmental management system defines all responsibilities and processes related to environmental protection worldwide and subjects the environmental aspects of the production facilities in the Volkswagen subgroup to a continuous improvement process. In the process the environmental requirements of the EMAS (Eco-Management and Audit Scheme) issued by the European Union are met, for example, in the form of the international DIN ISO 14001 standard, a fact certified in regular reviews by internal auditors and external audit firms.

In addition, regular workshops on the latest environmental issues are held at the foreign locations of the subgroup to ensure knowledge transfer.

The cross-border continuous improvement process is supported by group-wide environmental principles that contain strategic guidelines and technical standards. This ensures that comparable environmental standards apply to all the manufacturing processes throughout the company.

Greater use of renewable energy

In light of the current discussion on CO_2 and energy policies, Volkswagen has initiated a number of measures to reduce fuel consumption at its manufacturing sites. These measures are designed to curb rising energy costs and ensure compliance with the legal requirements. For example, the proven network of local plant energy officers will be expanded and knowledge transfer intensified at group level. In addition, benchmark studies and analyses of potential will be conducted with the assistance of experts. Moreover, the existing internal communication portals such as "e-room" and "massnahmen@web" will be used more intensively for the sharing of technical and organizational innovations and standards will be defined on energy-efficient techniques and processes.

The Volkswagen subgroup places increasing value on using energy from renewable sources and generating this energy itself. The use of this energy is a contribution towards the responsible use of resources and simultaneously towards the reduction of CO_2 emissions at the plants.

Fuel and propulsion strategy

With its exemplary fuel and propulsion strategy, the Volkswagen subgroup is blazing the trail towards sustainable mobility and making a contribution to reducing global CO_2 emissions at the same time. Moreover, the subgroup is reducing its local nitrate and particle emissions as well as making itself less dependent on crude oil.

The strategic considerations behind these moves are firstly oriented towards the use of carbon neutral regenerative energy sources and secondly on optimizing use of conventional nonrenewable fuels based on crude oil and reducing their emissions.

Within the framework of its propulsion strategy Volkswagen is exploiting its TSI technology, a turbo or supercharged direct fuel injection system that forms the heart of the successful TDI engine. In comparison to other direct fuel injection engines, the TSI engines display up to 20 percent lower consumption without any loss in vehicle performance. The DSG double-clutch gearbox is another example of a highly efficient powertrain technology. In comparison to conventional automatic transmissions it features significantly greater efficiency with approximately 15 percent lower fuel consumption. The natural gas model produced by the Volkswagen subgroup, which can be optionally operated

with gasoline, emits up to 25 percent less CO_2 and is almost completely free of sulfate, soot and other particulate emissions.

In the mid-term, the propulsion strategy of the Volkswagen subgroup is focusing on hybrid technologies in addition to gasoline and diesel engines. Strategic partnerships have been entered in order to realize hybrid power trains in serial production in future.

In terms of engine development, diesel and gasoline engines are becoming increasingly comparable. After the introduction of direct fuel injection to gasoline engines, which represents a milestone in engine development, further developments in combustion methods are evolving which will result in the two technologies converging over time. For diesel engines, an attempt is underway to homogenize the mix, along the lines of gasoline engines. By contrast, an attempt is being made to make spark plugs redundant for gasoline engines by means of a homogenous mix and compression ignition, at least in certain areas of the ignition map. At Volkswagen a new combustion method is being developed on the basis of the current diesel engines for this purpose. This allows a reduction of hazardous emissions limited by the law such as nitrates and particulates while simultaneously providing significantly higher efficiency and therefore much lower fuel consumption.

In the long-term, the main focus with regard to propulsion is on zero-emission electric drives. The greatest importance has been placed on this solution for future car-based mobility. Electric vehicles display the best figures in terms of an energy budget. However, due to their lower range, they have not yet met customers' expectations. State-of-the-art battery technology currently only allows a maximum range of 100 kilometers. A purely electric drive will therefore only be possible after significant advances have been made in the basic research into battery technology. For this purpose, the Volkswagen subgroup intensified its cooperation with battery manufacturers in the fiscal year 2008. With the Golf twinDRIVE, which is participating in the electric mobility fleet experiment initiated by the federal government, a model was presented that features one solution for daily zero-emission mobility. In addition to the innovative concepts for plug-in hybrids, such as the twinDRIVE, Volkswagen is also dedicated to power generation concepts that address the need for the coming electric-powered mobility based on power generated from renewable resources.

A focus of the fuel strategy of the Volkswagen subgroup is on researching biogenic fuels. The second generation of biogenic fuels going under the name of “SunFuel” has already won great significance. In terms of CO_2 reduction, they possess a great deal of potential as they do not compete with food production and are compatible with existing infrastructure. For example, SunEthanol, which is a fuel that has been optimized for gasoline-powered engines, is extracted from straw by means of a biochemical process owned by the company, IOGEN. The corresponding synthetic fuels for diesel engines, SunDiesel, can be generated from various primary energy sources, such as biomass or biogenic waste. The quality and chemical composition of the end product is independent of the qualities of the primary energy source used. Both current and future combustion engines can run on synthetic fuels. Moreover, SunFuel can be better harmonized with the requirements of advanced engine technology than customary fuels. Due to its purity and the ability to control its qualities, it offers great potential for further reduction of unwanted emissions. Moreover, it can be perfectly harmonized with new combustion methods, which will offer additional benefits with regard to consumption and exhaust emissions.

In the long-term, the Volkswagen subgroup expects that local zero-emission mobility solutions will grow in significance. This could take the form of a battery-powered electric vehicle or a vehicle powered by a fuel cell. Currently, vehicles with a hydrogen-powered fuel cell offer the only possibility to achieve zero-emission mobility for an acceptable range. In the Volkswagen subgroup a high-temperature fuel cell that is unique in this form has been developed that, thanks to the use of electrodes, allows a higher operating temperature for fuel cells, making them more efficient, smaller, and cheaper than the fuel cells known to date.


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Opportunities and risks of future development

According to Sec. 91 Paragraph (2) German Stock Corporation Act (AktG), Porsche is required to operate a risk management and early warning system which allows the company to identify any risks to the ability of the company to continue as a going concern at an early stage. The risk management system of the Porsche group was set up to identify at an early stage any potential risks to the ability of the group to continue as a going concern as well as any risks that could significantly and negatively impact the net assets, financial position and results of operations of the group and to avoid these by means of suitable countermeasures that allow the group to rule out any risks to its ability to continue as a going concern.

Porsche SE bears the responsibility for monitoring the risks it is exposed to and, moreover, draws together all the findings from the risk early warning systems installed at the level of the Porsche and Volkswagen subgroups. Consequently, it ensures that risks are aggregated, consolidated, monitored and managed for the entire group.

Based on the assessment of the independent auditor, the risk early warning system established by Porsche SE for the Porsche group meets the legal requirements of Sec. 91 Paragraph (2) AktG at the level of Porsche AG and Volkswagen AG for the Porsche and Volkswagen subgroups respectively.

In addition, the financial services segment in the Volkswagen subgroup is subject to regular special audits by the Federal Financial Supervisory Authority pursuant to Sec. 44 of the KWG ("Kreditwesengesetz": German Banking Act) and other controls by the auditors of the association.

The design of information flows and decision-making bodies at group and subgroup level ensure that the executive board of Porsche SE is always informed of significant risk drivers and the potential impact of the identified risks so as to take suitable countermeasures.

Opportunities and risks at Porsche SE

The strategic alignment of Porsche SE requires comprehensive cash and financial management that together constitute the central components of the integrated early warning system for the integration of risk. Freely available liquidity is a significant financial and risk indicator as it reflects both the financing and the investment strategy and is therefore included in the regular reporting.

Risks originating from the capital and credit markets

Day-to-day monitoring ensures that the executive board is informed at an early stage about changes in the conditions on the capital and credit markets allowing it to develop and decide on suitable methods of handling and transferring the risk. The main focus is placed on the liquidity of the markets and the development of the cost of capital in comparison to competitors. The relationship to creditors is another key aspect of the strategic considerations and risk analyses.

Currently, the main tasks of liquidity management at Porsche SE are the steering of cash flows, the management of the maturities of key capital and credit market instruments and of refinancing instruments.

Relevant changes on the spot markets and futures markets are analyzed. Depending on the issues or market structures involved, various scenarios are analyzed or proven market and liquidity risk management methods applied.

The implementation of the financing strategy also includes the fundamental desire to transfer interest risks to third parties at conditions that are economically reasonable. In the process, potential risks inherent in the interest components of the debt capital carried by Porsche SE are analyzed in terms of the expected development of interest rates and transferred to third parties if appropriate.

Liquidity risks

The liquidity situation at Porsche SE was critical on balance sheet date. The cash held by the Porsche group, excluding the Volkswagen subgroup and the cash and cash equivalents not available for use by the group, amounted to approximately 1.0 billion Euro as of 31 July 2009. In the fiscal year 2008/09, Porsche SE was not able to increase the syndicated loan to the originally intended sum of 12.5 billion Euro. An agreement was made in the second half of the reporting period to pay back a portion of the hybrid bond which has a total nominal value of 1.0 billion Euro, in August 2009. Cash outflows amounted to 0.5 billion Euro.

The transfer of a significant portion of the cash settled options in shares in Volkswagen AG to Qatar Holding LLC shortly after balance sheet date led to revocation of the restrictions on the power to dispose of the existing sight deposits and fixed-term deposits connected with the sold options. In sum, the sale led to an increase of more than 1 billion Euro in available liquidity. In return, at the request of Porsche SE, Qatar Holding LLC invested 265 million Euro in the syndicated loan in place at this time.

Porsche SE assumes that the conclusion of the basic agreement, with Volkswagen and the ordinary shareholders of Porsche SE in particular, and the implementation of the individual steps for the merger of the companies Porsche SE and Volkswagen AG will be effected quickly as a prerequisite for achieving a significant improvement in liquidity. The basic agreement is also a prerequisite for the successful outcome of current talks with the lending banks. In these negotiations, Porsche SE is seeking not only to adjust

to the structures provided for in the basic agreement, but also to improve its borrowing conditions. This concerns both a prolongation of the loan and a reduction of the borrowing costs.

If the steps involved in the merger of the two companies and thus the debt relief of Porsche SE do not take place as planned, this could once again lead Porsche SE into a critical liquidity situation by the end of 2009 which could put the ability of the company and the group to continue as a going concern at risk. However, the executive board of Porsche SE is convinced on the basis of the current negotiations that this risk will not eventuate.

Risks from stock options
The strategy to invest in Volkswagen was realized to some extent by means of cash settled options for Volkswagen shares. Due to the changes in the conditions prevailing on the capital markets and the resulting consequences for the investment strategy, a large portion of these options held by Porsche SE were sold to Qatar Holding LLC at their carrying amount by contract dated 14 August 2009. As these options were measured at sales price, the stock options held for sale were no longer exposed to risk at the end of the fiscal year 2008/09 from the perspective of Porsche SE.

There is a liquidity risk with regard to the remaining cash settled options still held for approximately 3 percent of the ordinary shares in Volkswagen AG, i.e. that the stock options can only be sold below the strike price used to measure them. Given the current share price of ordinary shares in Volkswagen AG this risk is currently considered to be low.

Risks originating from financial indicators
Porsche SE and various banks agreed on covenants that are customary for the market in connection with the existing syndicated loan. As of 31 July 2009 Porsche SE complied with the financial covenants. Should the covenants be breached in the future, this would have an adverse effect on liquidity. However, the executive board is confident that these covenants will be met in the future.

Measurement risks
In addition, Porsche SE is exposed to potential risks from the recoverability of its existing holdings in Volkswagen AG and Porsche AG. In order to ascertain any need to record an impairment, the company's own evaluations are prepared regularly and the assessments made by analysts monitored.

Litigation risks
Porsche SE and the entities in which it holds a direct or indirect investment are involved in legal disputes and administrative proceedings both nationally and internationally within the framework of their operating activities. Where such risks are foreseeable and it makes economic sense, appropriate provisions are created to cover any ensuing losses. For this reason, the company is of the opinion that these risks will not have any sustained negative impact on the economic position of the group. However, due to the fact that some risks cannot be estimated, or only to a limited degree, it cannot be ruled out that losses will eventuate that are not covered by the provisions already created.

Tax risks
The company considers some of the stock option transactions it has entered into as an avenue to generate tax-free profits and tax-deductible losses.

A dispute has developed between the company and the tax office with regard to the tax treatment of the stock option transactions. As far as the company is aware, the tax office will initially not accept the opinion of Porsche SE. The provision for income taxes has been increased accordingly to cover the full amount of the risk. Porsche SE intends to appeal against a negative decision of the tax office. Porsche SE assumes that the tax office will agree to a stay of execution until the final ruling on the tax treatment is handed down.

Opportunities from potential synergies
The cooperation between the Porsche and Volkswagen subgroups can lead to additional synergies within the Porsche group in future. The two subgroups have cooperated for ten years already on the Colorado project, in which a platform was developed for the Porsche Cayenne, the VW Touareg and the Audi Q7. This project can serve as a model for new cooperation projects. Potential synergies could arise in the design of additional shared platforms and in the field of new technologies as well as auto-electrics and electronics. By avoiding duplicate investment, the annual depreciation charge of the Porsche group could be reduced. Moreover, the earnings of the Porsche group can also be improved by combining purchasing functions and sharing existing sales channels.

Opportunities and risks at the Porsche subgroup

All shares in Porsche AG are held by Porsche SE. A domination and profit and loss transfer agreement is in place between the companies that requires Porsche SE as the controlling company to absorb any loss. This is why risks of Porsche AG can also constitute risks for Porsche SE. The risks and risk early warning system of the Porsche subgroup are described in more detail below.

The opportunities and risks in the subgroup are assessed during the annual planning. Constant monitoring is provided throughout the year by means of the reporting system. Deviations are analyzed, recorded, and countermeasures introduced in the event of negative developments. In addition, the risk management and internal audit departments monitor and document the risks and early warning systems. If new or changed risks are discovered, these departments report immediately to the executive board and propose solutions. This procedure allows negative trends to be identified promptly and immediate countermeasures to be taken.

Macroeconomic risks

The main risk for the global economy in the mid-term lies in a continuation of the recession caused by the crisis on the global financial markets. Significant risks remain in the continuing high prices for energy and commodities, ongoing liquidity shortages, increasing protectionism and a sustained imbalance in foreign trade. Changes in the law with regard to taxes and customs duties as well as a greater degree of state intervention could also have a significant negative impact on the international activities of the Porsche subgroup.

Continuous monitoring of business processes

Risks can never be completely eliminated. Incidents such as fires or explosions can severely disrupt operating processes. Regular safety checks and protective measures integrated into buildings and processes offer preventive protection. Moreover, business interruptions and damage to property are covered by insurance. Natural disasters, terrorist activities, pandemics and changes in the law are risks that can be difficult to predict but have a sizeable economic impact if they come to pass.

The statistics show that natural perils such as storm, hail, or earthquakes are becoming more frequent. At the end of the fiscal year, the main Porsche facility in Zuffenhausen was struck by a torrential downpour and suffered serious flooding as a result. In order to mitigate such risks and the resulting interruption to production, the Porsche subgroup has set up an emergency team that can take quick action in a coordinated manner to minimize the loss. Each loss leads to new findings. If these findings reveal a need to optimize the existing processes, the risk mitigation organization makes a detailed assessment and, if need be, takes quick action.

The current debate over CO_2 levels and public pressure to minimize fuel consumption could impact sales. Porsche AG has responded to these challenges by developing drive systems with reduced emissions such as the hybrid drive, that will be incorporated into the Cayenne and Panamera series.

Risks related to demand

Levels of demand and sales are also influenced by the changing economic landscape. Intensive monitoring of local markets and early warning signs enable Porsche to quickly spot a potential fall in sales. The general decline in demand for premium vehicles in the wake of the financial crisis has hit Porsche and its competitors alike. The fall in sales has been confronted by reallocating the geographical distribution of sales and country-specific sales promotion packages. Moreover, the trade organization has been granted terms of payment that involve the individual recipients being rated positively in terms of their economic performance, a rating that is reviewed regularly by a credit committee. Risk diversification and active risk management, such as obtaining the collateral customarily expected by banks as well as obtaining information and monitoring it daily also contribute to reducing the risk of default for the group.

Procurement risks

The prices of raw materials and oil remain volatile. At the same time, they have an impact on production costs. Raw materials markets are permanently monitored and analyzed in order to enable Porsche AG to effectively plan for future materials costs and secure the materials it needs. Long-term contracts with suppliers also hedge against bottlenecks and the risk of price fluctuations.

Financial risks

In order to protect the Porsche subgroup from financial risks, the treasury department hedges against currency risks on the basis of the planned sales figures using currency hedging. The company makes use of major international partners for forward transactions and options, whereby the cooperation is subject to standardized regulations and ongoing monitoring. Porsche also pursues a policy of maximum financial security with regard to the assurance of liquidity. Bond issues have been undertaken, but have been held in reserve and currently earn interest since there is adequate liquidity available from the operative business. In order to combat risks associated with money and capital markets, Porsche AG has set up a risk management system together with professional asset managers in order to calculate the statistical probability of a loss of capital at an early stage. At the same time, the company aims to achieve an adequate return. In addition to the absolute development of investment prices, there is also a risk that it may be impossible or possible only to a limited extent to sell investments in securities due to market irregularities. This risk is hedged by spreading investments which are monitored continuously by the central treasury department. In individual cases, the focus is on liquidity rather than profitability.

Interest instruments such as interest rate swaps or options are used to hedge against interest risks. Default risks are also reduced by means of an intensive receivables management system.

For the Porsche subgroup, the leasing business entails the risk of vehicles not being saleable at the planned price following the expiry of lease agreements. This residual value risk is combated by continually monitoring the planned development of residual values in local markets, and creating appropriate provisions. In order to minimize the default risk associated with the vehicle financing program for the benefit of the dealers, those dealers taking part in the program are thoroughly assessed in order to ensure that the level of financing, the collateral required and the term are appropriate. The receivables balance is regularly monitored, and security measures are applied in cases of irregularities. In spite of the crisis on the financial markets, loan defaults have only risen to a moderate degree as the Porsche subgroup traditionally pursues a well-founded hire purchase policy that is supported by a sound scoring model that is constantly refined.

Development risks
The Porsche subgroup is constantly developing new products in pursuit of its sales strategy. In order to avoid developing products that do not meet the needs of consumers, the subgroup conducts trend studies and market surveys before making decisions on new vehicle projects. The Porsche subgroup hedges against potential breaches of industrial property rights, which could lead to considerable compensation claims, by conducting research into worldwide industrial property rights when developing new vehicles. In this way, it is possible to quickly identify whether the industrial property rights of third parties are affected.

IT risks
The failure of IT systems can lead to considerable damages if, for example, the production of vehicles is interrupted. Although the likelihood of the IT system failing is low, the Porsche subgroup has introduced an emergency and disaster contingency program which duplicates important data and machines. The program is continuously adapted to meet operating requirements. Sensitive data can also be misused due to unauthorized access to data. In order to guard against this, the Porsche subgroup has detailed access authorization concepts, as well as binding instructions for the handling of sensitive data. There are also technical countermeasures such as virus scanners and firewall systems in place.

To minimize delays in production, the Porsche subgroup has an escalation model. If defined thresholds are exceeded – e.g. an unacceptably high number of vehicles are on the assembly line in the wrong order – a meeting of a certain group of persons is convened in order to take appropriate countermeasures without delay. This process helps to ensure that vehicles are manufactured to plan.

Personnel risks
A positive image is crucial to any company. The communication strategy of the Porsche subgroup ensures that communication and actions are decisive and professional in the event of crisis scenarios or events that could tarnish the company’s image. Porsche's positive image as an employer, as revealed by surveys, enables the company to find and keep qualified personnel. The Porsche subgroup combats the risk of qualified specialists and management leaving the company taking their experience and knowledge with them by offering attractive employment conditions and training programs.

Litigation risks
Like any other company, Porsche AG or its subsidiaries may become involved in court or arbitration proceedings. At present there are no proceedings which could have a material impact on the economic position of the Porsche subgroup.

Extensive quality assurance measures
High-quality products are crucial to the company's image. The development department works closely together with suppliers in order to achieve this. In addition to economic benefits, this collaboration also creates dependencies. Delayed deliveries or even failure to deliver can quickly lead to a standstill in production due to the “just-in-time” nature of parts deliveries. The risk management system of the Porsche subgroup therefore prescribes the careful selection and monitoring of suppliers. A technical and business profile is created, and the supplier’s creditworthiness is continuously monitored. The credit check enables the early recognition of companies running the risk of insolvency. Short development times and pressure on costs place high demands on suppliers. Parts deliveries are regularly subjected to quality and punctuality checks.

The financial crisis has also affected the automotive supply industry and will in isolated cases lead to the risk of insolvency or actual insolvency of suppliers. The Porsche subgroup attempts to identify any risk of insolvency at an early stage by conducting regular audits of suppliers and taking suitable countermeasures to mitigate any possible interruption to the supply chain in the case of insolvency. An interdisciplinary steering committee set up for such cases assesses whether replacement suppliers can be found in time or whether financial support should be extended to secure the continued supply of parts.

The Porsche subgroup sets itself high quality goals in both the production and the development of new vehicles, taking care to ensure that all technical and qualitative requirements are taken into account and achieved. Warranty claims, product liability claims and recalls can incur considerable costs. The quality gate systems used by the Porsche subgroup ensure the requisite quality. This cross-functional project management instrument is used to make sure that the level of target achievement can be measured following pre-defined development phases, in order to monitor project progress. If development goals have not been met, the departments responsible must propose solutions for meeting them without significantly delaying the development project. Development gates for the most important milestones have been positioned below the quality gates in the development chain to help manage development processes. The goal is to recognize any critical issues in development at an early stage (between the quality gates) and limit their impact.

If product defects are extant after the start of production despite these risk avoidance measures, these defects are recorded and assessed in the sales markets. The aim is to determine and remedy the cause. To this end, Porsche AG has set up an interdisciplinary working group that introduces remedial measures to the production process either at Porsche or the supplier.

Environmental protection regulations
The G8 states and the group of the 16 largest industrial nations and emerging economies meeting at the Major Economies Forum in L'Aquila, Italy, have for the first time recognized the 2-degree goal for reducing global warming, which is continuing apace. This means that the Forum has approved the goal advocated by the Intergovernmental Panel on Climate Change, IPCC, to reduce global greenhouse gas emissions by 50 percent measured on the value of 1990 until 2050. According to the analyses of the International Energy Agency and the IPCC this goal will only be attainable by reducing emissions in all sectors of the global economy, from power generation, industry, household consumption, agriculture and transport. Some countries are already in the process of introducing the necessary policies. It can be expected that such policies will become tighter across the globe in future. The Porsche subgroup is affected by this development, both in terms of its manufacturing facilities and in terms of its products, particularly with regard to energy efficiency and rising prices for energy in general. The Porsche subgroup is countering the possible consequences by managing its resources and energy as part of its environmental management system as well as devoting special working committees to energy management.

In April 2009, the EU Commission set an upper limit of 130 g/km for the mean emissions of the entire European fleet of new vehicles in the period from 2012/2015 to 2020. A further ten grams should be attained by supplementary measures, such as the use of bio-fuels, low-drag tires, effective air conditioners and other technical improvements. This marks the first time that a law has been introduced for car manufacturers and importers who want to sell their vehicles in the European Union.

However, the future CO_2 limit for the fleet is not a uniform target for every manufacturer. Rather it is to be understood as the mean weighting of the vehicles that a manufacturer sells in Europe.

This method is designed to ensure that the manufacturers positioned in different market segments have a chance of meeting the requirement.

Moreover, companies like the Porsche subgroup, which has a very special product portfolio and small production runs, have the possibility of applying for a special ruling so as to avoid losing their economic foundation. For example, manufacturers producing 10,000 to 300,000 vehicles per year can agree to a 25 percent reduction of CO_2 emissions per annum. The calculation is based on the figures for the vehicles manufactured in the year 2007.

High penalties will ensure compliance. If a company does not manage to meet its individual target, it must pay 5 Euro for the first gram in excess of the limit, 20 Euro for the second gram, 45 Euro for the third and, starting from the fourth, 95 Euro each gram. The fleet value will be calculated annually. In other words, penalties could be incurred annually.

It is intended that the new EU CO_2 regulation will apply until 2020 after which the CO_2 regulations are likely to become tighter. The initial target is a mean emission of 95 g/km for the entire European fleet, which translates into a further 25 percent reduction in fuel consumption. The new regulation will have a major impact on the variety of products, the distribution among the segments and the earnings on the European market.

Thanks to its leading technologies and products, the Porsche subgroup believes it is perfectly equipped to face these future challenges.

Opportunities and risks at the Volkswagen subgroup

Update of the risk documentation
Standardized surveys are directed to both the risk managers of the individual divisions and the managing directors of investees on an annual basis. In answering the questions, they update the overall picture of the potential risk situation in their area of responsibility. At the same time, the qualitative likelihood of occurrence and the relative extent of any loss are allocated to each risk identified, and appropriate measures are specified in the shape of guidelines and organizational instructions to counter the respective risk. The continuous updating of the risk documentation is coordinated centrally by group controlling in conjunction with group internal audit. Under the guidance of the auditors, the plausibility and adequacy of the risk reports are examined on a test basis in detailed interviews with the divisions and companies concerned.

Workflow rules, guidelines, instructions and descriptions are systematically recorded and can for the most part be accessed online. Adherence to these rules is assured by internal controls by the heads of the group internal audit, quality assurance, group treasury, brand controlling and group controlling organizational units.

Goals and functioning of the risk management system

The Volkswagen subgroup's risk management system is designed to identify potential risks at any early stage so that suitable countermeasures can be taken to avert the threat of loss to the company, and any risks that might jeopardize its continued existence can be ruled out.

The risk management system is an integral part of the Volkswagen subgroup's structure and workflows and is embedded in its daily business processes. Events that may entail a potential risk are identified and assessed on a decentralized basis in the divisions and at the associates. Countermeasures are introduced immediately, their effects are assessed and the information is incorporated into the plans in a timely manner. This means that the executive board of the Volkswagen subgroup always has access to an overall picture of the current risk situation through the documented reporting channels.

Transparent risks that are proportionate to the benefits expected from the business are taken.

Macroeconomic risks

Like at the Porsche subgroup, the main risk to the economic development of the Volkswagen subgroup over the medium term lies in the risk that the recessionary tendencies caused by the global financial crisis could last for a longer period.

Industry risks

The markets in Asia, South America, central Europe and eastern Europe were the main growth drivers for global demand for passenger cars. However, in some countries in these regions, there are high customs barriers or minimum local content requirements for domestic production. These factors make it difficult to achieve a larger increase in sales volumes. The substantial market coverage in the most important markets entails risks that relate mainly to price levels. Massive discounts, used mainly to promote sales in the US automotive market, but also in western Europe and China, continue to put the entire sector under pressure. As a supplier of volume models, the Volkswagen subgroup would be particularly affected if competing manufacturers were to further step up their sales incentives. Loans to finance vehicle purchases are still issued applying the customary principles of prudence taking account of banking supervisory regulations in the meaning of Sec. 25a (1) KWG.

Most of the vehicles produced by the Volkswagen subgroup are sold in western Europe. Consequently, a sustained drop in demand or in prices in this region would have a particularly strong impact on the subgroup. The Volkswagen subgroup counters this risk with a clear, customer-oriented and innovative product and pricing policy. Outside western Europe, however, the overall delivery volume is widely diversified across the markets of North America, South America/South Africa, Asia Pacific, and central and eastern Europe. In addition, the Volkswagen subgroup enjoys, or is aiming to attain, a leading position in a number of established and emerging markets. Moreover, strategic partnerships provide an opportunity to cater to regional requirements.

Current developments on the financial markets have substantially increased the cost to the dealerships and sales companies of financing their business through bank loans. The Volkswagen subgroup minimizes the risk of their insolvency by offering automotive dealers and outlets financing on attractive terms via its own financial services companies, as part of a dedicated group support system.

The European Commission plans to end design protection for visible vehicle parts. If this plan is actually implemented, it could adversely affect the Volkswagen subgroup's original parts business.

Research and development risks
The Volkswagen subgroup counters the risk that customers may not accept new products by conducting extensive trend analyses, customer surveys and scouting activities. These measures ensure that trends can be recognized at an early stage and that their relevance for customers is verified in good time.

In addition, there is a risk that it may not be possible to develop products or modules in accordance with the specified deadlines, costs, or quality standards. To avoid this risk, the progress of all projects is monitored continuously and systematically and compared with the original targets. This means that countermeasures can be initiated in good time in the case of deviations. The project organization supports all areas involved in the process, ensuring that they work together effectively. This enables specific requirements to be presented at the earliest possible stage and their implementation planned in good time.

Risks are not concentrated on particular patents or licenses due to the wide variety of research and development activities at the Volkswagen subgroup.

Procurement risks
Prices on the commodity markets remain volatile. It is not certain whether the oil price will stagnate in future or whether, for example, the trend will reverse again, for instance as a result of an artificially created shortage. The Volkswagen subgroup is taking suitable steps to counter the risks of rising commodity prices. As well as strategically aligning the portfolio of suppliers, procurement cooperates closely with the internal development department in order to continuously optimize the use of materials and increase utilization rates. Substituting traditional materials with alternatives that have been optimized for a specific usage is another core element of this strategy.

Against the background of the latest developments on international markets, group procurement has reoriented its risk management activities. It is now focusing on expanding the early-warning system for supplier crises. The aim is to be able to initiate suitable measures in good time to safeguard production in the event of individual suppliers becoming insolvent.

Production risks relating to demand
The global recession and the related shifts in global demand for passenger cars led to fluctuations in the production volumes of specific models. Furthermore, changes in demand for special features or components lead to an increased risk of delivery bottlenecks. The Volkswagen subgroup counters this risk using flexible capacity management at its vehicle and component factories, and especially with the aid of its turntable concept, and through timely support by external suppliers. Flexible working time models provide additional opportunities to adjust production in line with current market demand.

Risks arising from changes in demand
Consumer demand depends not only on real factors such as disposable income, but also to a significant extent on psychological factors that are impossible to plan for. A combination of higher fuel prices and the uncertainty surrounding future CO_2 emission taxation may lead to unexpected consumer reluctance to purchase vehicles, which may be further exacerbated by media reports. The current financial crisis is also having significant effects on global economic development and, accordingly, on the whole automotive sector. After a certain time lag, all the world's automotive markets are now seeing what is in some cases a dramatic downward trend – a development that has also affected the Volkswagen subgroup. This is particularly the case in saturated markets such as North America and western Europe, where demand has plummeted as a result of owners keeping their vehicles for longer periods. The Volkswagen subgroup is attempting to counter this consumer reluctance to purchase vehicles by offering attractive new models and by maintaining an intense customer focus. Nevertheless, it is not possible at this time to know how long this crisis will last nor how extensive it will be. This applies all the more since state incentives (for instance, incentives for replacing old cars with more fuel-efficient ones) are in place in some countries, which will have a positive impact on the demand for cars.

Moreover, the implementation of a CO_2-based vehicle tax in the European countries and a renewed rise in oil prices could lead to a switch in demand towards smaller segments and smaller engines, with a resulting detrimental effect on the group's financial results.

The Volkswagen subgroup is countering these risks by developing fuel-efficient vehicles and alternative fuels as part of its fuel and drivetrain strategy.

In the rapidly expanding markets of Asia and eastern Europe, risks can also arise due to government intervention in the form of lending restrictions and tax increases having an adverse effect on private consumption.

Dependence on fleet customer business
As in the past, the fleet customer business is experiencing increasing concentration and internationalization. Owing to its extensive product range and target group-oriented customer care, the Volkswagen subgroup succeeded in extending its market leadership in Europe. Default risks are not concentrated on individual corporate customers.

At cost-driven fleet operators, the CO_2 issue could have a disproportionate effect on the fleet customer business because of the shorter fleet ownership period. A trend towards downsizing is evident that parallels the trend in the private customer business.

Quality risks
Customers' perceptions of a product's quality are becoming more and more important in the face of growing competitive pressure. In addition, the ever-increasing complexity of the vehicles and the introduction of new environmentally friendly technologies such as hybrid drives present new challenges for the quality assurance function. New skills sets and other preventive mechanisms are being developed to avoid the possible risks of quality defects before they eventuate. This is being done in close cooperation with all the divisions and suppliers.

Personnel risks
The knowledge and individual skills of the Volkswagen subgroup's employees are a major factor contributing to the subgroup's success. The aim of becoming the preferred employer improves the subgroup's chances of recruiting and retaining talented new employees. Of equal importance is strategic, end-to-end personnel development. For this reason, the Volkswagen subgroup is offering attractive career and development opportunities for committed employees. In addition to management careers, non-managerial

specialists will also be offered attractive career paths. The risk of losing expertise due to employee resignations and retirements is minimized by intensive knowledge management. By offering dual track vocational training involving a combination of university study and practical experience the Volkswagen subgroup is securing an adequate supply of highly qualified talent from its own workforce.

Environmental protection regulations
On 1 July 2002, the Altfahrzeuggesetz (German End-of-Life Vehicles Act) transposed the European End-of-Life Vehicles Directive into German law. The Act guarantees that end-of-life vehicles will be disposed of free of charge through the collection points designated by manufacturers and importers. This initially applied only to vehicles registered after the law came into force, but as of January 2007, it was extended to all end-of-life vehicles. At present, it is impossible to conclusively assess the impact of the EU's eastward enlargement on the collection of end-of-life vehicles. As a result, no clear forecast can be made regarding the likely financial burden on the Volkswagen subgroup in individual EU member states. The existing provisions have been reviewed in this regard. In addition, the systems and cooperation arrangements for disposing of end-of-life vehicles offer an opportunity to manage this risk.

As regards emissions legislation, the EU decided on a wide range of stricter requirements, primarily affecting diesel technology. However, in the case of light and medium passenger cars, these requirements will be met by upgrading and optimizing current technology. In the case of heavy passenger vehicles, the rules as they currently stand require that an after-treatment system for nitrogen oxide be introduced. The cost difference compared with petrol engines will increase further. In future, petrol and diesel engines will also have to reposition themselves with regard to the obligation to add biofuels to fossil fuels, since diesel particulate filter technology does not permit any significant increase in the amount of biofuels added.

The G8 member states aim to reduce global greenhouse gases by 50 percent in the period up to 2050 in order to keep global warming at a manageable level. According to analyses by the International Energy Agency and the UN's Intergovernmental Panel on Climate Change (IPCC), this goal can only be achieved by a reduction in greenhouse gases in all sectors – power generation, industry, households, agriculture and transport. Some countries are already in the process of introducing the necessary policies. It can be assumed that these will be significantly tightened in future throughout the world. Both the Volkswagen subgroup's production facilities and its products are affected: the former in particular through provisions on energy efficiency, a general increase in the price of energy and the system of greenhouse gas emissions trading. This last mechanism involves companies being issued with a limited number of emission certificates; they will then have to demonstrate that they have sufficient certificates if they cause CO_2 emissions. The Volkswagen subgroup has been participating directly in the relevant EU system since 2005 with its heating and power plants. The second trading period is currently underway and expires in 2012. The EU has resolved substantial changes that are due to take effect in the third trading period that follows. In particular, emission certificates will no longer – as has largely been the case to date – be allocated free of charge but will increasingly be auctioned. In addition, the scope of application has been extended significantly, so that more locations than before are covered by the trading system. Along with higher costs for internally generated power, administrative and monitoring expenses will also increase sharply in the near future. Higher prices for energy and emissions rights do not only apply to the subgroup's own facilities but will also lead to a rise in the price of materials, especially in the case of steel and aluminum. The Volkswagen subgroup is using an energy management system and energy conservation programs to counteract the possible financial repercussions and risks to its image. In addition, the Volkswagen subgroup operates its own highly efficient power plants for generating power and heat, and is therefore able to secure part of its energy supplies itself.

The EU Regulation capping CO_2 emissions from passenger cars is one of the first product-related CO_2 regulations in the EU for the period from 2012 to 2020. As a result, it is extremely significant both in terms of future trends in greenhouse gas emissions in the EU and of the economic and technological repercussions on vehicle manufacturers and their suppliers, and the European economy as a whole, particularly in view of the radically changed economic environment.

The EU Regulation sets targets for carmakers selling passenger cars in the European market (the EU 27). The aim is to reduce average CO_2 emissions in European fleets to 130g/km starting in 2012/2015 by means of drive train and other vehicle technology. A further reduction of 10 g/km is to be achieved by flanking measures such as gear-change indicators, low-resistance tires and the use of biofuels.

There are risks involved in the amount of the penalties, which may be up to 95 Euro per g/km, to be imposed if the manufacturer fails to meet the target for its vehicles sold by an average of more than 3 g/km.

In addition to the minimum reduction targets being introduced from 2012/2015, the long-term goal of 95 g/km for 2020 will have considerable effects on the number of products, the breakdown across specific segments and the results of operations in the European market. The basis for measurement will be energy efficiency, which will help to maintain the diversity of the European product offering.

The political decision-making process has led to further improvements in the proposed bills tabled to the European Commission, in particular with regard to product and development cycles in the automobile industry by allowing a suitable phase in between 2012 and 2015. Moreover, there is a possibility of credits for innovative technologies, such as "Eco-innovations". Innovative measures such as intelligent vehicle communications and navigation systems enable additional reductions to be achieved over and above the vehicle and drive technology measures. This links innovations to climate protection in a particularly effective way.

The Volkswagen subgroup intends to make intensive use of these opportunities. With its leading technologies and products, the group is excellently prepared for the challenges of the future.

In 2007, the federal government launched an ambitious bundle of measures for achieving national and international targets on climate protection in the form of its integrated energy and climate program. A major component of the program is improving energy efficiency and expanding the use of renewable forms of energy. The statutory measures that have already been introduced will impact key areas in which the Volkswagen subgroup is involved in a number of ways:

As of 1 January 2009, the EEWärmeG ("Erneuerbare-EnergienWärmegesetz": German Act on the Promotion of Renewable Energies in the Heating Sector) entered into force. The aim of this Act is to enable the sustainable development of energy supplies and to promote the further development of technologies for generating heat from renewable energies. Depending on the type of energy supply system concerned, this Act may have consequences for the way Volkswagen subgroup's industrial buildings are constructed.

One element in the federal government's integrated energy and climate program is the intention to introduce a legally binding energy management system for medium-sized and large operating plants. The objective is to realize the potential for improving efficiency in industry and to link the agreement on reductions in energy and electricity taxes with the introduction of an energy management system.

The Volkswagen subgroup is taking a variety of measures to actively prepare for the future challenges presented by the shortage of primary energy sources. For instance, the subgroup is expanding its centralized energy management at its production facilities and integrating it with its environmental management, so as to reinforce the effect of the energy savings measures being taken by the various areas of production. In addition, the use of renewable sources of energy is being driven forward on a worldwide basis.

Legal cases

In the course of their operating activities, Volkswagen AG and the companies in which it is directly or indirectly invested become involved in legal disputes and official proceedings in Germany and internationally. In particular, such proceedings may occur in relation to suppliers, dealers, customers or investors.

For the companies involved, these may result in payment or other obligations. Particularly in cases where US customers assert claims for vehicle defects individually or by way of a class action, highly cost-intensive action may have to be taken and substantial compensation or punitive damages paid.

Where transparent and economically viable, adequate insurance cover is taken out for these risks and appropriate provisions recognized for the remaining identifiable risks. The company does not believe, therefore, that these risks will have a sustained effect on the economic position of the group.

However, as some risks cannot be assessed or can only be assessed to a limited extent, the possibility of loss or damage not being covered by the insured amounts and provisions cannot be ruled out.

Risks arising from financial instruments

The executive committee for liquidity and foreign currency approves risk limits, authorized financial instruments, and hedging methods and horizons. Risk management is the responsibility of the treasury of the Volkswagen subgroup. The group's executive board is informed of the current risk situation on a regular basis.

The subgroup's business activities entail financial risks that may arise from changes in interest rates, exchange rates, commodity prices and fund prices. The Volkswagen subgroup manages these risks by employing primary and derivative financial instruments. Internal limits are set on the volume of business per counterparty, when entering into financial transactions, in order to limit the default risk by means of diversification. In setting these limits, various rating criteria are taken into account, including the ratings awarded by independent agencies and the equity base of potential counterparties. Interest rates and currencies are mainly managed centrally by the treasury of the Volkswagen subgroup. The subgroup hedges its interest rate risk and risks arising from fluctuations in the value of financial instruments by means of interest rate swaps, cross-currency swaps and other interest rate contracts with matching amounts and maturity dates. This also applies to financing arrangements within the Volkswagen subgroup.

The Volkswagen subgroup reduces its foreign currency risk primarily through natural hedging, i.e. by flexibly adapting its production capacity at its locations around the world and establishing new production facilities in the most important currency regions, currently for instance in India, Russia and the USA. The residual foreign currency risk is mitigated using hedging instruments. These include currency forwards, currency options and combined currency and interest swaps. These transactions are used to by entering into forward transactions. Appropriate contracts are used to hedge some of the commodities needed, such as aluminum, copper, platinum, rhodium and palladium, over a period of up to five years. Other hedging transactions are also used, such as for CO_2 certificates and coal.

Liquidity risks

The solvency of the Volkswagen subgroup is ensured at all times by providing sufficient

limit the currency risk associated with forecast cash flows from operating activities and intercompany financing in currencies other than the respective functional currency. These contracts may have terms of up to five years. They are primarily used to hedge the euro against the US dollar, pound sterling, the Mexican peso, the Russian rouble, the Swedish krone, the Czech koruna, the Swiss franc and the Japanese yen. These eight currencies are responsible for most of the foreign currency risk from forecasted cash flows. The purchasing of raw materials gives rise to risks relating to availability and price trends. These risks are limited primarily

liquidity reserves, access to confirmed credit lines and tried-and-tested money market and capital market programs.

The capital requirements of the growing financial services business are covered mainly through borrowings at matching maturities raised in the national and international financial markets. Refinancing costs have risen significantly since the beginning of the financial crisis. However, in view of the broadly diversified structure of its refinancing sources, the subgroup will continue to be able to raise sufficient liquidity in the various markets.

Credit lines from banks are generally only ever used within the Volkswagen subgroup to cover short-term working capital requirements. Projects are financed by, among other things, loans provided at favorable interest rates by development banks such as the European Investment Bank or the European Bank for Reconstruction and Development (EBRD), but also by national development banks, such as Kreditanstalt für Wiederaufbau (KfW) or the Brazilian National Economic and Social Development Bank (BNDES). This extensive range of options means that any liquidity risk to the Volkswagen subgroup is extremely low.

Standard & Poor's have updated their ratings for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH. The rating agency confirmed its short-term and long-term ratings for Volkswagen AG and Volkswagen Financial Services AG at A–2 and A– respectively. The outlook was changed from "stable" to "negative" for both companies. The ratings of Volkswagen Bank GmbH were lowered by one grade to A–2 and A– respectively for Volkswagen Bank GmbH with the outlook likewise being negative.

Moody's Investors Service has also updated its ratings for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH. The short-term and long-term ratings for Volkswagen AG and Volkswagen Financial Services AG were set at P–2 and A3 respectively. The outlook for both companies was lowered to "stable". The short and long-term ratings for Volkswagen Bank GmbH, which currently stand at P–1 and A2 and therefore one grade higher than Volkswagen AG and Volkswagen Financial Services AG, are currently being monitored with regard to a possible downgrade.

The treasury department of Volkswagen Financial Services AG safeguards the liquidity of the financial services division as well as managing credit, default and market risks. Risk controlling is responsible for measuring, analyzing and monitoring market risk positions.

Residual value risk in the financial services business

In the financial services business, the Volkswagen subgroup agrees in selected cases to buy back selected vehicles at a residual value that is fixed at inception of the contract in order to realize market opportunities. Leases are evaluated at regular intervals. The necessary precautions are made in the event of potential risks.

Management of the residual value risk is based on a defined feedback loop ensuring the full assessment, monitoring, management and communication of risks. The design of the processes ensures not only professional management of residual risks but also that the handling of residual value risks is systematically improved.

As part of its risk management, the Volkswagen subgroup uses residual value forecasts to regularly assess the appropriateness of the provisions for risks and the potential for residual value risk. In so doing, the contractually agreed residual values are compared with the fair values obtainable. These are produced from data from external providers and internal marketing data. The upside of residual market values is not taken into account when making provisions for risks.

IT risks
Redundant firewalls and intrusion prevention systems safeguard the IT systems against unauthorized access. Additional protection is achieved with virus scanners as well as restricted physical and data access rights. The systems used for safeguarding information are constantly checked and continuously updated. In addition, all databases are backed up daily. Thanks to the measures taken, the likelihood of a threat to the information systems and security of the subgroup's data is very low.

Other factors
Going beyond the risks already outlined, there are other factors that cannot be predicted and are therefore difficult to manage. Should these transpire, they could have an adverse effect on the further development of the Volkswagen subgroup. These factors include natural disasters, epidemics and terror attacks.

Overall statement on the risks faced by the Porsche group

The overall risk exposure of the Porsche group is made up of the individual risks confronting the Porsche subgroup and the Volkswagen subgroup presented above and the specific risks of Porsche SE. The risk management system ensures that these risks can be controlled. With the exception of the liquidity risks at the level of Porsche SE, there are, on the basis of the information currently available, no risks that could endanger the ability of the Porsche group to continue as a going concern.

Subsequent events

The section on "current developments" (pages 16 to 18 of this management report) already contains the comments on significant events that occurred after the close of the fiscal year 2008/09. Other subsequent events are summarized as follows:

On 18 August 2009 Porsche SE signed a hold harmless agreement in favor of the Association of German Banks (Bundesverband deutscher Banken e.V.) for any losses which the Association might suffer from measures pursuant to Art. 2 (2) of the statutes of the deposit guarantee fund agency in favor of Volkswagen Bank GmbH. For internal purposes, Volkswagen AG in turn has agreed to hold Porsche SE harmless from any obligations resulting therefrom.

In the course of criminal investigations by the state prosecutor into alleged market manipulation and infringement of publication duties by former members of the executive board and (with regard to alleged manipulation of the market) another officer of Porsche SE, the business premises of Porsche SE and Porsche AG at their headquarters in Zuffenhausen were investigated on 20 August 2009. Both companies deny the public prosecutor's allegations while cooperating with investigations and providing their full support to the investigating officers in order to clarify the matter as soon as possible.

Talks with the syndicate of banks commenced at the end of August 2009. The aim of these talks is to renegotiate the existing syndicated loan at more favorable terms after finalization of the basic agreement. This concerns both a prolongation of the loan as well as a reduction of the costs of capital.

In the fiscal year 2008/09 the Porsche group agreed to repurchase a part of the hybrid bond issued to institutional investors in December 2007 at a total notional amount of 1.0 billion Euro. The repurchase, which was executed on 31 August 2009, led to a cash outflow of 0.5 billion Euro.

In the course of the acquisition of all shares in LeasePlan Corporation N.V., Amsterdam and the subsequent sale of 50 percent of the shares to two co-investors, Volkswagen AG reached an agreement with the co-investors on put options which entitle the latter to sell their shares to Volkswagen AG. On 22 December 2008, the co-investors announced that they would make use of their put options. In September 2009, Volkswagen agreed with the co-investors to acquire shares in the fiscal year 2009/10 for a purchase price of approx. 1.3 billion Euro. The planned simultaneous transfer of the shares to a new co-investor requires the approval of the oversight authorities.

Subsequent to balance sheet date Porsche SE began negotiations for the sale of the stock options that were not intended for sale on 31 July 2009.

Remuneration report

The remuneration of the executive board contains fixed components as well as a variable component that is based on the results of the Porsche group's ordinary activities. Pension guarantees are also given. In addition to fixed compensation, the members of the supervisory board are also entitled to performance-based compensation which is also measured based on the result of the Porsche group's ordinary activities. Further details are provided in note [38] to the consolidated financial statements "Remuneration of the supervisory board and executive board".

Forecast report and outlook

Overall economic development
The freefall of the global economy that began in the fall of 2008 appears to have come to an end. An increasing number of forecasts indicate that the global economy has bottomed out and is currently stabilizing. However, this situation is largely thanks to the billion-dollar aid programs from a number of state governments. For this reason, there is still a lot of uncertainty everywhere about the future development of the global economy. On the bottom line, most economic research institutes expect global economic output to continue sliding in 2009 with a slow recovery setting in again in 2010.

There are pleasing signs of recovery among Germany's most important trading partners. In some countries, including France, Japan and Brazil, economic output picked up slightly in the second quarter of 2009, with increases in China and India being particularly strong. On the other hand, other countries, such as the USA, Russia and the United Kingdom are still displaying negative figures. The export-oriented German industry was able to generate a three-point gain in their order intake in June and July 2009 in the wake of the slight upturn that was generally evident. Nevertheless, the order intake was still approximately 20 percent below the level of the prior year. This implies that the recovery is still at an extremely low level.

Furthermore, it cannot be completely ruled out that this slight recovery is merely a "flash in the pan" created by the various economic stimulus programs. In addition, the rise in public indebtedness in many countries could constitute a risk to the growth of the global economy. Thus, a true recovery of the global economy may not set in until 2011.

Exchange rate developments
The strong recovery of the euro at the beginning of the reporting period is based primarily on the assumption that the euro zone will emerge from the financial crisis more rapidly than the USA. However, the prevailing trend is already well established and it can therefore be assumed that a correction will occur in the second half of the fiscal year 2009/10 with the result that exchange rates once again reflect the true balance of economic strengths more realistically. However, the Porsche group is well hedged in the event that the trend should continue.

Interest rate developments
During the fiscal year 2009/10 the central banks are likely to retain their low-interest policies on all important money markets. There are currently no signs that interest rates will be adjusted further downwards. On the other hand, it can be assumed that the capital markets will signal a shift in the interest rate trend at a much earlier stage.

Commodity price developments
After overshooting the mark in the summer of 2008 and the dramatic downwards correction at the end of the year 2008, commodity prices have started trending upwards again over the


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course of 2009. It can be expected that this adverse trend will continue in the near future, without, however, reaching the same peaks recorded in the past.

Prospects on the automobile markets
Consumer uncertainty is likely to be noticeable for a long time on the world's largest automobile markets, with the exception of China. In Germany, the discontinuation of the state environmental bonus will have a negative impact on the market in 2010. Those manufacturers who profited from the bonus in 2009, with a massive rise in unit sales in some cases, will have to prepare for harder times. The same applies to countries like France, the United Kingdom, Italy and the USA. In these countries state support for the automobile industry in terms of environmental bonuses are also reaching their end, after boosting unit sales in the meantime.

Altogether, due to the end of the economic stimulus programs, the automobile markets in western Europe and North America cannot expect any upwards trend. The markets in eastern Europe are unlikely to fare any better.

In contrast, the largest automobile markets in Asia are developing positively overall. This applies particularly to China, but the signs in India are also encouraging. Moreover, the Brazilian market is providing a bright spot on the Latin American market.

Overall statement on the expected development of the Porsche group
In spite of the numerous adversities facing business, the Porsche subgroup expects sales to pick up over the year 2010. The company is basing this forecast on its attractive product portfolio and on the new model Panamera in particular. This fourth series from Porsche will ensure that the sales figures of Porsche will not only stabilize but will overall rise slightly again in the fiscal year 2009/10.

With its nine brands and young model range, the Volkswagen subgroup is well prepared for the difficult conditions prevailing around the globe. The Volkswagen subgroup is likely to perform better than the market as a whole by the end of 2009 and will be able to gain additional market share.

The planned amendment of the articles of association with respect to the right of the State of Lower Saxony to appoint two members of the supervisory board of Volkswagen AG, Porsche SE would no longer be able to consolidate Volkswagen as a subgroup in its group financial statements. Due to the deconsolidation of the subgroup required in this case, it is not possible at present to make any reliable forecast on the prospective revenues and results of the Porsche group in the fiscal year 2009/10. Based on the latest stock exchange prices for shares in Volkswagen AG deconsolidation would result in a significant loss. Porsche SE assumes that the basic agreement, which lays the groundwork for an integrated car manufacturing group, will become effective as planned and that the individual steps required to combine Porsche SE and Volkswagen AG will be effected swiftly as a prerequisite for achieving a significant improvement in liquidity. In this context, Volkswagen AG will acquire an indirect 49.9 percent share in Porsche AG in fiscal 2009/10. The basic agreement is also a prerequisite for the successful outcome of current talks with the lending banks.

Stuttgart, 19 October 2009

Porsche Automobil Holding SE
The executive board

Corporate governance report

For Porsche, responsible, transparent and efficient corporate governance is an integral part of the company's corporate culture.

Corporate statutes of Porsche Automobil Holding SE
The legal basis for the corporate statutes of Porsche Automobil Holding SE is formed by the European SE provisions and the German SE Implementation Act as well as the German Stock Corporation Act (AktG). The differences this leads to compared to the statutes of a stock corporation mainly pertain to the formation and composition of the supervisory board. The dual management system with a strict separation of executive board and supervisory board, the principle of parity co-determination in the supervisory board as well as the co-administration and control rights of the shareholders in the general meeting continue to be the main core elements of the company statutes of Porsche Automobil Holding SE.

Corporate management by the executive board
The executive board has sole responsibility for the management of Porsche Automobil Holding SE and the Porsche group and represents the company in transactions with third parties. Its main tasks pertain to the strategy and management of the Porsche group as well as the implementation and monitoring of an efficient risk management system. If the executive board has two members, as is currently the case, decisions have to be made unanimously. The activity of the executive board is regulated in more detail in rules of procedure issued by the supervisory board.

The executive board informs the supervisory board regularly, without delay and comprehensively about the planning, business development and the risk management of the company and consults with the supervisory board on the strategy of the Porsche group. Certain transactions stipulated in the bylaws of the Porsche Automobil Holding SE and the executive board's rules of procedure may only be carried out by the executive board subject to the prior approval of the supervisory board. These include, among others, the acquisition and the sale of the companies of a certain size, the establishment and closure of plant locations, the introduction or discontinuation of business divisions as well as legal transactions with ordinary shareholders or supervisory board members of Porsche Automobil Holding SE.

Monitoring of management by the supervisory board

The supervisory board appoints the members of the executive board, and also advises and monitors the executive board in their managerial activities. The structure already ensures the fundamental independence of the supervisory board in its control of the executive board since a member of the supervisory board may not at the same time belong to the executive board and the competencies of the two bodies are strictly segregated.

The supervisory board is composed of twelve members. The size and composition of the supervisory board are governed by the European SE provisions. These are supplemented by the co-determination agreement entered into with representatives of the European Porsche employees. This defines the competencies of the employees in the works' council of Porsche Automobil Holding SE and the procedure for the election of the SE works' council and the representation of the employees in the SE supervisory board as well as the relevant rulings in the articles of association. Shareholders and employee representatives are equally represented on the supervisory board of Porsche Automobil Holding SE, following the basic principles of German co-determination.

The supervisory board takes its decisions with a simple majority of the votes cast by the participating supervisory board members. In the event of a tie, the supervisory board chairman, who always has to be a member of the supervisory board elected by the shareholders, casts the deciding vote.

The supervisory board has formed an executive committee which acts as personnel committee; in urgent cases, it also decides on transactions requiring the approval of the supervisory board. Other committees are formed as required.

Rights of the shareholders

Porsche Automobil Holding SE's share capital is equally divided into ordinary shares and preference shares without voting rights. The shareholders exercise their rights in the annual general meeting. When passing resolutions, each ordinary share of Porsche Automobil Holding SE grants one vote. There are no shares with multiple or preferential voting rights. Nor are there maximum voting rights. Every shareholder is entitled to take part in the annual general meeting, to express an opinion on items on the agenda, to table motions and to demand information about company matters if this is needed to properly judge an item on the agenda.

Among other things, the general shareholder meeting adopts resolutions on the exoneration of the executive board and the supervisory board, the appropriation of profits, capital measures and amendments to the articles of association.

The representatives of the shareholders on the supervisory board are elected by the annual general meeting. The following applies to the election of employee representatives on the supervisory board: The articles of association of Porsche Automobil Holding SE provide for the appointment of employee representatives to the supervisory board by the annual general meeting, unless an agreement reached in accordance with the SEBG ("SE-Beteiligungsgesetz": German Law on Employee Participation at SEs) on the involvement of employees provides for a different procedure for appointing workforce representatives to the supervisory board. The latter is currently the case. The agreement on the involvement of employees at Porsche Automobil Holding SE contains the provision that employee representatives are directly appointed to office following their election by the works council of the SE. Even if no such agreement had been made, the annual general meeting would be bound by the nominations of the works council for workforce representation.

Financial reporting and annual audit

The Porsche group's financial reporting is based on the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) insofar as they are applicable within the European Union, as well as the provisions of German business law applicable under Sec. 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code). The financial statements of Porsche Automobil Holding SE as parent company of the Porsche group are based on the accounting provisions of the German Commercial Code. Both sets of financial statements are audited by an independent auditor.

Risk management

The Porsche group has a group-wide risk management system which helps management to recognize major risks at an early stage, thus enabling them to initiate counter-measures in good time. The risk management system at the Porsche group is continuously tested for efficiency and continually optimized to reflect changed conditions. For details, please refer to pages 67 to 85.

Communication and transparency

Porsche attaches great importance to transparent communication and regularly keeps shareholders, financial analysts, shareholder associations, the media and the general public informed about the situation of the company and its business development. This information can be sourced at the website www.porsche-se.com which contains all press releases and financial reports as well as the articles of association of Porsche Automobil Holding SE and information about the general shareholder meeting. Interested visitors to the home page of Porsche Automobil Holding SE have the opportunity to subscribe to a newsletter that regularly informs them of developments at the Porsche group.

Besides the regular reporting, Porsche announces details of circumstances that are not in the public domain in accordance with Sec. 15 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act) which, when they become known, could significantly impact on the share price of the Porsche share. These *ad hoc* announcements are also presented on the homepage of Porsche Automobil Holding SE.

Directors' dealings

Pursuant to Sec. 15a WpHG, members of the executive board and supervisory board as well as certain persons in management positions and persons closely related to them must disclose the purchase and sale of Porsche shares and related financial instruments. Porsche Automobil Holding SE publishes such announcements about transactions of this kind on the Porsche homepage.

Declaration of compliance with the corporate governance code

The background

On 26 February 2002 the Federal German Government Commission on the corporate governance code introduced a standard of good and responsible corporate governance for executive boards and supervisory boards of companies listed on the stock exchange. Pursuant to Sec. 161 (1) AktG, the executive and supervisory boards of listed companies are obliged to make an annual declaration of conformity as to whether they have complied and are continuing to comply with the code, or which of the recommendations contained in the code have not been or are not applied, and why.

For the period until 8 August 2008 the declaration below refers to the version of the code amended 14 June 2007 and for the period from 9 August 2008 to 5 August 2009 to the version of the code amended 6 June 2008, and since 6 August 2009 to the version of the code amended 18 June 2009, which was published in the electronic Federal Gazette on 5 August 2009. If no explicit reference is made to a specific version of the code then the respective recommendation remained unchanged in this period.

Declaration of compliance of Porsche Automobil Holding SE

The executive board and supervisory board of Porsche Automobil Holding SE declare in accordance with Sec. 161 (1) AktG that the company has essentially complied and does comply with the recommendations of the Government Commission of the German corporate governance code announced by the Federal Ministry of Justice in the official part of the elektronischer Bundesanzeiger (German Electronic Federal Gazette). Where this is not the case in terms of individual recommendations at present, most of the recommendations of the code will be complied with in future in light of the intention to create an integrated automotive group with Volkswagen AG and the related adjustments to bring corporate governance in line with the corporate governance of Volkswagen AG. However, the company did not comply and/or has not yet complied with the following recommendations:

“If the company takes out a D&O (directors’ and officers’ liability insurance) policy for the executive board and supervisory board, a suitable deductible should be agreed.” (No. 3.8 (2) of the German corporate governance code as amended 14 June 2007 and 6 June 2008)

“A similar deductible must be agreed upon in any D&O policy for the supervisory board.” (No. 3.8 (2) sentence 2 German corporate governance code as amended 18 June 2009)

The recommendation of the code as amended 14 June 2007 and 6 June 2008 was not followed. With regard to the agreement of a deductible in the D&O insurance policies for the executive board, the new provisions of Sec. 93 (2) sentence 3 AktG have been applied since the entry into force of the VorstAG (“Gesetz zur Angemessenheit der Vorstandsvergütung”: German Act on the Appropriateness of Executive Board Compensation) on 5 August 2009.

With respect to D&O insurance for the supervisory board, the recommendation of the Code as of 18 June 2009 has not been followed to date for the following reasons: Porsche insures the D&O risk under its general asset and liability insurance and does not include a specific deductible in the total premium payable. A large deductible, which would have to be a standard sum in order to comply with the principle of equality, would have widely differing consequences for members of the supervisory board depending on their individual circumstances in respect of private income and assets. In the worst case, a less wealthy member of the supervisory board might find himself/herself in serious financial difficulties which, in view of the fact that all members have the same duties and obligations, is not fair. For the same reason, no deductible was agreed upon in D&O insurance policies for executive board members until the VorstAG entered into force on 5 August 2009.

In spite of the arguments against including a deductible in the D&O insurance policies for the supervisory board, the executive board and supervisory board have decided to include a corresponding deductible in the D&O insurance policies from now on.

“At the proposal of the committee dealing with executive board contracts, the full supervisory board shall resolve and regularly review the executive board compensation system including the main contract elements.” (No. 4.2.2 (1) German corporate governance code as amended 14 June 2007)

“At the proposal of the committee dealing with executive board contracts, the full supervisory board shall resolve and regularly review the executive board compensation system including the main contract elements.” (No. 4.2.2 (1) German corporate governance code as amended 6 June 2008)

“At the proposal of the committee dealing with executive board contracts, the full supervisory board determines the total compensation of the individual executive board members and shall resolve and regularly review the executive board compensation system.” (No. 4.2.2 (1) German corporate governance code as amended 18 June 2009)

Resolutions on the remuneration system, including the main contract elements, are taken by the executive committee which at the same time acted as personnel committee until the entry into force of the VorstAG. We believe that the executive committee is better able to negotiate the material elements of employment contracts with executive board members than the much larger full session of the supervisory board. Once the VorstAG entered into force on 5 August 2009, the full supervisory board decides on the amount and, if necessary, the reduction of executive board compensation. The structure of the remuneration system for the executive board of Porsche is discussed and checked regularly in its entirety by the supervisory board.

“In concluding executive board contracts, care shall be taken to ensure that payments made to an executive board member on premature termination of his contract without serious cause, including fringe benefits, do not exceed the value of two years’ compensation (severance payment cap) and compensate no more than the remaining term of the contract. The severance payment cap shall be calculated on the basis of the total compensation for the past full financial year and if appropriate also the expected total compensation for the current financial year.” (No. 4.2.3 (4) German corporate governance code as amended 6 June 2008 and 18 June 2009)

“Payments promised in the event of premature termination of an executive board member’s contract due to a change of control shall not exceed 150 percent of the severance payment cap.” (No. 4.2.3 (5) German corporate governance code as amended 6 June 2008 and 18 June 2009)

The recommendations in No. 4.2.3 (4) and the recommendation based thereon in (5) of the German corporate governance code have to date not been complied with because their implementation involves considerable legal and practical complications. Despite these difficulties, however, the recommendations will be considered in future when entering into contracts with the members of the executive board.

“Disclosure (of the total remuneration of each member of the executive board) shall be made in a compensation report which as part of the corporate governance report describes the compensation system for executive board members in a generally understandable way.” (No. 4.2.5 (1) German corporate governance code)

The individual remuneration of the members of the executive board at Porsche has not been published to date for the following reason. We believe that the disadvantages associated with such publication – the inevitable upward leveling of the board members’ salaries and the invasion of the individuals’ right to privacy – do not stand in any reasonable relation to the advantages to investors of such a practice. The shareholders with voting rights at the annual general meeting of Porsche AG (now Porsche Automobil Holding SE) concurred with this assessment and unanimously passed the legally required resolutions waiving publication on 27 January 2006 as did the extraordinary shareholders meeting of Porsche AG (now Porsche Automobil Holding SE) on 26 June 2007. Nevertheless, the total remuneration of each member of the executive board will be published in a compensation report in the corporate governance report in future, i.e. from fiscal year 2009/10 onwards.

“The compensation report shall also include information on the nature of the fringe benefits provided by the company.” (No. 4.2.5 (3) sentence 2 of the German corporate governance code as amended 14 June 2007 and 6 June 2008, No. 4.2.5 (2) as amended 18 June 2009)

This recommendation has not been complied with to date because the total remuneration of the executive board and its composition by fixed and performance-related components is explained in the notes to the consolidated financial statements. However, the compensation report will in future – i.e. for the first time for the fiscal year 2009/10 – include information on the nature of the fringe benefits provided by the company.

“Depending on the specifics of the enterprise and the number of its members, the supervisory board shall form committees with sufficient expertise.” (No. 5.3.1 sentence 1 German corporate governance code)

“The supervisory board should establish an audit committee which, in particular, deals with issues of accounting, risk management and compliance, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor, the determination of audit priorities and the agreed fee. The chair of the audit committee should possess specific knowledge of and experience with the application of accounting principles and internal auditing procedures.” (No. 5.3.2 sentences 1 and 2 German corporate governance code)

“The supervisory board is required to form a nomination committee composed exclusively of shareholder representatives which proposes to the supervisory board suitable candidates for its election nominations to the annual general meeting." (No. 5.3.3 German corporate governance code)

Porsche has a highly qualified and dedicated supervisory board with just twelve members. Besides the executive committee, which at the same time acts as a personnel committee and in urgent cases also decides on transactions requiring the approval of the supervisory board, the supervisory board has not set up any other additional committees to date. The supervisory board has now decided to set up an audit committee and a nomination committee, both of which satisfy the above recommendations of the code.

“The compensation of the members of the supervisory board should be reported individually in the corporate governance report, subdivided by components.” (No. 5.4.7 (3) sentence 1 German corporate governance code as amended 14 June 2007, No. 5.4.6 (3) sentence 1 German corporate governance code as amended 6 June 2008 and 18 June 2009)

We have shown payments to the supervisory board in the notes to the consolidated financial statements as a single sum. We did not state the sums paid to individuals because we did not see any additional advantage for investors in this in view of the level of payments involved and the requirements stated in the articles of association. However, the corporate governance report for the fiscal year 2009/10 will include information on the compensation of the supervisory board in compliance with the recommendations of the code.

"Also payments made by the company to the members of the supervisory board or advantages extended for services provided individually, in particular, advisory or agency services should be listed separately on an individual basis in the corporate governance report." (No. 5.4.7 (3) sentence 2 German corporate governance code as amended 14 June 2007, No. 5.4.6 (3) sentence 2 German corporate governance code as amended 6 June 2008 and 18 June 2009)

The ability to access the expertise of the individual members of the families that are shareholders in the company on specific subjects represents a particular advantage for Porsche Automobil Holding SE. As explained in the notes to the consolidated financial statements and taking the legal requirements into account, this cooperation takes place on terms that are customary in this business sector and which are also complied with in the event of comparable business arrangements being undertaken with third parties. To date individual information about the compensation for services rendered by individual members has not been presented in the corporate governance report based on a fundamental decision taken by the company. However, the corporate governance report for the fiscal year 2009/10 will include the recommended individual information.

"Beyond the statutory obligation to report and disclose dealings in shares of the company without delay, the ownership of shares in the company or related financial instruments by executive board and supervisory board members shall be reported if these directly or indirectly exceed one percent of the shares issued by the company. If the entire holdings of all members of the executive board and supervisory board exceed one percent of the shares issued by the company, these should be reported separately for the executive board and supervisory board. This infomation should be contained in the corporate governance report." (No. 6.6 German corporate governance code)

The share ratios of our shareholders are published by Porsche Automobil Holding SE as required by WpHG. Notifications of purchases and sales of Porsche preference shares by members of the executive or supervisory boards are published to the extent that this is provided for by Sec. 15a WpHG. Publication in any other form of the shares or related financial instruments held by members of these bodies has not taken place so far and is not envisaged in the future because we believe that the obligations to publish, with which we have complied in full, provide sufficient information to the capital markets and our shareholders in particular.

"The consolidated financial statements should be publicly accessible within 90 days of the end of the fiscal year; interim reports should be publicly accessible within 45 days of the end of the reporting period." (No. 7.1.2 sentence 3 German corporate governance code as amended 14 June 2007, No. 7.1.2 sentence 4 German corporate governance code as amended 6 June 2008 and 18 June 2009)

Porsche has not complied with this recommendation to date. Corresponding to our non-standard fiscal year, we had established a publication cycle which guaranteed the company optimum publicity. In future, however, Porsche will comply with the recommendations.

Corporate Governance at the Volkswagen subgroup

In their declaration of compliance with the German corporate governance code as of 21 November 2008, the executive board and supervisory board of Volkswagen AG disclosed that the recommendations of the "Federal German Government Commission on the German corporate governance code" as of 6 June 2008 issued by the Federal Ministry of Justice on August 8, 2008 in the official part of the electronic Federal Gazette are complied with in full, with the exception of No. 4.2.3 (4) and (5) (severance payment cap).

The executive board and supervisory board of Volkswagen AG also declared that the recommendations of the "Federal German Government Commission on the German corporate governance code" as of 14 June 2007 issued by the Federal Ministry of Justice on 20 July 2007 in the official part of the electronic Federal Gazette were complied with in full in the period from 20 December 2007 to 8 August 2008 with the exception of No. 5.3.3 (formation of a nomination committee). After this time, the recommendations of the "Federal German Government Commission on the German corporate governance code" as of 6 June 2008 issued by the Federal Ministry of Justice on 8 August 2008 in the official part of the electronic Federal Gazette were complied with in full with the exception of No. 4.2.2 (1) (decision of the full supervisory board on the executive board compensation system), No. 4.2.4 (4) and (5) (severance payment cap) and No. 5.3.3 (formation of a nomination committee). The declaration of compliance is published on the web page www.volkswagenag.com/ir, under the header Corporate Governance, and the menu item declaration of compliance.

In their declaration of compliance with the German corporate governance code, the executive board and supervisory board of AUDI AG declared that the recommendations of the code as amended 14 June 2007 were largely complied with until the publication of the new version on 8 August 2008. However, this was with the exception that the supervisory board does not form a nomination committee (No. 5.3.3), elections to the supervisory board are not made on an individual basis (No. 5.4.3 sentence 1) and the compensation of the supervisory board members is not reported individually, subdivided according to components (No. 5.4.7 (3) sentence 1). The executive board and supervisory board of AUDI AG also declared that the recommendations as of 6 June 2008 and published on 8 August 2008 were and are complied with. However, the aforementioned exceptions apply, as well as the exception that No. 4.2.3 (4) and (5) (severance payment cap) are not complied with. The declaration of compliance can be found on the internet at www.audi.de/cgk-erklaerung.

Porsche Automobil Holding SE
Supervisory board and executive board

Markets


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Markets

Around the globe, the entire automotive industry suffered the full impact of the financial and economic crisis in Porsche's fiscal year 2008/09. Many regions saw dramatic falls in the volume of new vehicles sold. Severe slumps were above all seen in North America and Eastern Europe. Western Europe also saw losses, although state intervention benefited manufacturers of small cars in particular. Only the Chinese and Brazilian markets remained stable.

Given these conditions, Porsche was unable to repeat its strong performance of recent years. The automobile manufacturer based in Stuttgart delivered a total of 73,492 vehicles to customers, 26 percent fewer than in the prior fiscal year. The only market that continued to grow was China, and the Middle East only just fell short of the previous year's figures. These two markets now account for 19 percent of all deliveries (prior year: 14 percent).

The new Carrera models were well received in all markets. With 24,963 units delivered, the 911 series made up more than a third of new vehicle deliveries. The Boxster and Cayman held steady with a total of 13,720 vehicles in a rapidly shrinking segment. Almost half of the vehicles delivered were of the new generation of the mid-engined sports car, introduced by Porsche in February 2009. The Cayenne remained the highest-volume seller at 34,799 vehicles. The sporty off-roader benefited both from its popularity in the growth regions of China and the Middle East and from the market launch of the Cayenne Diesel. This already clocked up 4,654 deliveries in the second half of the fiscal year.

America

The United States: largest market despite the crisis

The situation on the US market continued to deteriorate in the course of fiscal 2008/09. The severity of the economic crisis led to a dramatic fall in sales in the automotive market. Porsche was unable to escape this downward trend, with the delivery of 19,024 units representing a significant drop on the prior year (31,818 units). Nevertheless, the US remained Porsche's biggest single market.

Despite sliding to 8,650 deliveries (prior year: 12,904), the Cayenne remained the bestselling series. The Cayenne GTS even improved on the prior year with 1,953 units sold. In a highly competitive market, the Boxster/Cayman series managed sales of 3,806 units (prior year: 8,718). The 911 also suffered, making just 6,568 deliveries (prior year: 10,196).

With more than 200 dealerships, Porsche offers its US customers a strong dealership network. In order to further improve the supply of original parts to the north-east of the US and Canada, a new parts warehouse with integrated training center was set up in Easton, Pennsylvania.

Canada: encouraging start for the new company

In the reporting period, 1,622 vehicles were delivered to customers in Canada, down from 1,874 in the prior year. This decline is moderate in comparison to other markets. This represents a successful start for the newly established Porsche Cars Canada Ltd. The subsidiary has handled the sale and distribution of Porsche vehicles for Canada since August 2008.

With 776 vehicles delivered, the Cayenne only fell just short of the prior-year figure of 796 units. Among the sports cars, 480 vehicles of the 911 series and 366 mid-engined sports cars were sold.

Latin America: Porsche weathers the crisis

Thanks to the sales success of the Cayenne, Porsche was able to deliver a total of 2,123 vehicles to the Latin American markets in fiscal 2008/09 (prior year: 2,712), 1,301 of which were accounted for by the sporty off-roader (prior year: 1,691). 418 units of the 911 series (prior year: 523) and 404 vehicles of the Boxster and Cayman mid-engined sports car series (prior year: 498) went to customers in the region. The largest single market is Mexico with 645 deliveries, followed by the growing market of Brazil (579 units) and Puerto Rico (159 vehicles).

Porsche Latin America engaged new importers in Guatemala, Puerto Rico, the Dominican Republic and Trinidad. Overall, the distribution network in Latin America grew to 15 importers and 36 dealerships.

Europe

Germany: still on the right track

In Porsche's home market, the 2009 scrappage scheme led to a rush on small cars. The luxury segment, meanwhile, declined sharply. In this challenging environment, Porsche was able to improve its position relative to its competitors. In fiscal year 2008/09, deliveries fell just seven percent to 12,506 units (prior year: 13,510).

The 911 increased its share of the market segment to more than 50 percent with 6,322 vehicles delivers (prior year: 6,594). With 2,619 units delivered (prior year: 3,087), sales of the Boxster series, which was revamped in February 2009, were very successful in the reporting period in direct comparison with competition. The Cayenne series, which has now been made even more diverse with the successful introduction of the Cayenne Diesel, even came close to equaling the 3,829 deliveries made in the prior year with 3,565 units delivered.

United Kingdom: important market for sports cars
The country's strong dependence on the crisis-hit financial sector had a particularly severe impact on the economic conditions in the UK. In these conditions, Porsche was able to deliver 4,930 vehicles within the reporting period (prior year: 7,169).

Sports cars remained Porsche's mainstay, accounting for 77 percent of total deliveries. The 911 series managed sales of 1,931 vehicles (prior year: 2,572), while the Boxster and Cayman together saw 1,862 deliveries (prior year: 3,132). Sales of the Cayenne were boosted towards the end of fiscal 2008/09 by the new diesel. 1,128 units of the off-road series were delivered to the UK (prior year: 1,465).

Italy: loyal customers
The Italian economy was also hit by the global recession. Porsche was able to limit the impact, delivering 3,928 vehicles in comparison to 4,749 in the prior year, thanks to the success of the 911 series.

With 1,938 units delivered, the 911 series almost achieved the prior-year level of 2,179. A more severe drop was seen for the Cayman and Boxster, which saw a combined total of 639 vehicles (prior year: 981). Demand for the diesel variant of the Cayenne series was high. 770 deliveries meant that every other Cayenne sold was a diesel.

France: successful marketing
Since 2008, France has levied an extra tax on vehicles that emit more than 160 grams of CO_2 per kilometer (benefits and penalties system). The introduction of the Cayenne Diesel and a more efficient generation of engines for the Boxster series enabled Porsche to soften the negative impact of these measures. Nevertheless, 2,013 deliveries in fiscal 2008/09 fell well short of the very good figures for the prior year (2,539 vehicles).

The 911 series achieved 814 deliveries in the reporting year (prior year: 1,058), the mid-engined sports cars 387 (prior year: 559), and the Cayenne models also saw a decline with 812 deliveries (prior year: 921).

Spain and Portugal: shrinking market
The real estate crisis that began in the spring of 2008 spread to other sectors of the Spanish economy in the course of the last fiscal year, including the automotive industry. As a result, the number of new vehicle registrations in Spain fell by more than 50 percent within the space of a year, in the luxury segment by more than 60 percent. Porsche was unable to buck this trend, with 1,097 new vehicle deliveries (prior year: 2,061). However, market share in the respective segments remained stable.

The 644 Cayennes delivered in the reporting year (prior year: 1,127) demonstrated the vehicle's key role within the Porsche product portfolio. The new diesel variant was well received by customers. The 911 models achieved sales of 287 units (prior year: 525), with the Boxster and Cayman managing a total of 166 vehicles (prior year: 409).

Switzerland and Austria: restraint on the part of customers

The financial sector, which is of great importance for Switzerland, was experiencing a low point during the reporting period, and the resulting muted purchasing patterns also affected Porsche. The 1,122 deliveries fell short of the 1,924 units delivered in the prior year. The 911 series saw a drop from 920 vehicles to 584 units. This trend was also apparent in the 188 deliveries of Boxster and Cayman vehicles (prior year: 317). The Cayenne saw sales of 350 vehicles (prior year: 687).

A scrappage scheme similar to the one implemented in Germany and a trend towards small vehicles created difficult conditions for Porsche in Austria, where 551 vehicles were delivered (prior year: 832). However, with 288 vehicles delivered, the 911 remained market leader for luxury coupés and cabriolets. The Cayenne also achieved 177 deliveries in fiscal 2008/09 thanks to the new diesel variant (prior year: 333). The Boxster series sold 86 vehicles, 34 less than in the prior year.

Belgium/Netherlands/Luxembourg: diesel on a roll

With 773 deliveries in fiscal 2008/09, Porsche fell short of the prior-year figure of 1,033 in Belgium on account of the economic collapse. However, Porsche was able to hold its own against the competition, selling 396 vehicles of the 911 series (prior year: 517), 155 units of the Boxster (prior year: 251) and 222 Cayennes. The fact that sales of the sporty off-roader only just fell short of the prior-year value of 265 deliveries is down to the success of the Cayenne Diesel, which accounted for 129 units.

In the Netherlands, the CO_2 tax for new vehicles was raised again in 2009. Conditions for luxury vehicles were therefore challenging. Nevertheless, Porsche fared well with 524 vehicles delivered in the reporting year (prior year: 850). With 65 units delivered in just five months, the Cayenne Diesel proved a success, with the entire model series seeing 158 deliveries (prior year: 353). 297 vehicles of the successful 911 series were delivered (prior year: 381 units).

In Luxembourg, the importer Autodistribution Losch S.à.r.l. delivered 193 vehicles in difficult conditions (prior year: 239). In a positive development, the 911 series almost matched its success of the prior year with 101 deliveries (prior year: 102). On the other hand, with only 53 vehicles delivered, the Cayenne was unable to repeat its performance from the prior year (71).

Northern Europe: high taxes and economic downturn
The ongoing economic downturn and high level of taxation meant that Porsche was operating in a highly challenging environment in Northern Europe in fiscal 2008/09. Nontheless, the Company still managed to deliver 858 vehicles (prior year: 1,319). 411 of these were from the 911 series (prior year: 635). The Boxster model series reached a total of 111 vehicles (prior year: 167). 336 Cayenne models were delivered (prior year: 517). With 110 vehicles sold, the Cayenne Diesel was the most successful model in the series.

Southern and Eastern Europe: in reverse gear
With a slump in deliveries from 3,178 to 2,180 units, Porsche was hit hard by the consequences of the global economic crisis in the Southern and Eastern European markets, which had hitherto seen strong growth. The Cayenne performed best, with 1,356 vehicles delivered (prior year: 1,965). The 911 achieved 578 deliveries (prior year: 877), and the Boxster and Cayman mid-engined sports cars 246 vehicles (prior year: 336).

Russia: new challenges
Following a long period of growth, the Russian import market in particular fell under the wheels of the financial crisis in the reporting period. Porsche made 1,278 deliveries (prior year: 2,328), of which 1,111 units were allocable to the Cayenne (prior year: 2,080). With 167 units sold, the sports car was unable to repeat the prior-year value of 248 vehicles. Economic conditions permitting, Porsche intends to be represented at up to 25 locations in Russia by the end of fiscal 2009/10.

Middle East and Africa

Maintaining a high level
As the fourth largest sales market, Porsche Middle East & Africa is one of the most important pillars of the sales organization. The prior-year result of 6,082 units delivered was almost repeated, with 5,941 vehicles sold. The appeal of the Cayenne series in particular, with 4,141 deliveries, continues unabated (prior year: 4,112). However, the 911 also proved popular with customers, performing similarly to the high level of the prior year with 1,265 vehicles delivered (prior year: 1,273 units). Only the Boxster series was unable to repeat the record performance of the prior year, with 535 vehicles delivered (prior year: 697).

The focus for future growth is now mainly on Africa and India. In the reporting period, Porsche was able to engage new sales partner for the markets in Ghana, Angola, Nigeria, Iran and Syria. A total of 19 importers are operating on behalf of the company in Dubai.

Australia / New Zealand

Cayenne – solid as a rock
The economies of both Australia and New Zealand suffered during the reporting year, with significant declines in their automotive markets. The retail organisation Porsche Cars Australia, with 16 Porsche Centers, delivered 1,076 vehicles to customers (prior year: 1,588). The Cayenne achieved its second-best result ever following the record prior year (730 units) thanks to the new diesel variant, with 536 deliveries. The sports cars held their own in their respective segments.

Asia

Japan: first fall in sales for seven years
The Japanese subsidiary saw its first fall in sales for seven years in connection with the severe economic crisis. In total, 2,915 vehicles were delivered to customers in fiscal 2008/09 (prior year: 4,162). Sports cars, of which 1,729 units were delivered (prior year: 2,724), saw a steeper decline than the Cayenne series, of which a total of 1,186 were delivered in the reporting year (prior year: 1,438).

Four new Porsche Centers were added to the dealership network in China in the reporting period. The retail organization currently consists of 25 dealerships. The addition of seven more dealerships is planned for fiscal 2009/10.

Asia-Pacific

Retail organization continues to expand
Despite the global economic crisis, the Asia-Pacific region will remain an important

and nascent economic region for Porsche in the future. In the reporting year, the company delivered 1,116 vehicles to customers in the region (prior year: 1,738 units). Porsche Asia Pacific Pte. Ltd. supports importers in twelve different countries in the region. The distribution network in Vietnam and South Korea grew to 21 dealerships. Further sites are under construction or in planning.

In order to improve brand recognition, Porsche had stands at two automobile trade fairs in Taiwan in fiscal 2008/09, and organized driving events for the Porsche World Roadshow in Singapore and Korea.

China: positive development in the “Middle Kingdom”
The importance of Far Eastern markets for Porsche is apparent from the fact that the car manufacturer from Stuttgart chose China as the backdrop for the global debut of the new Panamera. Porsche presented the four-seater Gran Turismo to an enthusiastic public at the “Auto Shanghai” fair in April 2009. The importance of the Chinese market can also primarily be seen in its continued growth. In fiscal 2008/09, the newly established subsidiary Porsche China achieved a record result in the company’s third largest single market with 7,708 vehicles delivered (prior year: 7,600), despite a significant increase in displacement-based taxation in September 2008.

The Volkswagen Group

Pulled under by the market
In the first six months of 2009, global new vehicle registrations were significantly lower than in the comparable period of 2008. Severe slumps in demand were above all seen in North America and Central and Eastern Europe. In Western Europe, passenger car sales were also down on the same period in the prior year. However, the decline was mitigated as a result of the positive effects of state intervention, particularly in Germany. In China, demand for passenger cars rose sharply between January and June 2009. The sharp increase in the second quarter in particular led to slight growth in the Asia-Pacific region.

Vehicle sales in the US fell well below prior-year levels between January and June 2009. However, a slight revival of demand is expected for the second half of the year following the introduction of a scrappage scheme. In Canada and Mexico, new registrations remained low in the first six months of 2009. On the Brazilian passenger car market, sales rose slightly in the first half of 2009. Unit sales benefited in particular from the reduction of industrial products tax. In Argentina, on the other hand, new passenger car registrations were significantly below prior-year levels.

In the first six months of this year, the Volkswagen group delivered 3,120,998 vehicles to customers throughout the world (down 4.4 percent). As a result of the financial and economic crisis, almost all of the group's brands saw falling sales figures. However, the high-volume brands saw drops in demand that were milder than the overall development of the market. Volkswagen passenger cars was even able to deliver more vehicles to customers in comparison to the prior year.

Europe/other markets: market share increased
In the first half of 2009, deliveries to the Volkswagen group's customers in Western Europe were down 8.1 percent on the prior year, at 1,472,471. Western Europe accounts for 47.2 percent of the group's total sales volume (prior year: 49.0 percent). In an exceptionally challenging market environment, sales figures for all group brands were down on the prior year. However, the Volkswagen passenger car and Škoda brands were the main beneficiaries of state rescue packages, and saw declines that were not as severe as the rest of the market, thus increasing their share of many important markets. The Golf, Tiguan, Škoda, Fabia Combi and SEAT Ibiza models were in particularly high demand. The new Scirocco, Passat CC, Audi A3 Cabriolet, Audi Q5 and Škoda Superb models were also well received. In a fast-shrinking Western European passenger car market, the total market share of the Volkswagen group rose to 21.3 percent (19.3 percent).

On the German passenger car market, sales figures for the Volkswagen group rose 18.5 percent in the period from January to June 2009 compared with the prior year, to a total of 633,091 vehicles. This was mainly due to the environmental bonus offered by the state. Significant growth was seen for the Fox, Polo, Golf, Tiguan, Škoda Fabia, Škoda Roomster, SEAT Ibiza and Caddy models. Sales figures for the new Scirocco, Passat CC, Audi A3 Cabriolet, Audi Q5 and Škoda Superb models were also encouraging. The new Polo already had a high number of advance orders upon its launch. Seven of the Volkswagen group's models placed at the top of their respective segments in the registration statistics of the German Ministry of Transport: Polo, Golf, Passat, Touran, Tiguan, Audi TT and Caddy. The Golf remains the clear leader in the German passenger market in terms of new vehicle registrations. In the first half of 2009, the Volkswagen group increased its market share in Germany to 33.5 percent (32.7 percent).

In the important Central and Eastern European markets, the Volkswagen group delivered 201,779 units to customers in the first six months of this year, 28.5 percent fewer than in the prior year. Sales only rose in the prior year in Poland, at 42,233 vehicles (an increase of 8.6 percent). However, demand for the Golf, Tiguan and Škoda Superb models developed favorably. Demand fell sharply on the South African passenger car market in the reporting period. This was above all attributable to the effects of the financial and economic crisis, as well as ongoing restrictions on lending. The low level of demand hit the entry-level models the hardest. Deliveries to customers fell 29.2 percent on the prior year to 26,599 vehicles. The market share remained steady at 20.0 percent.

North America: entire market shrinking
The Volkswagen group delivered 135,750 units in the struggling US passenger car market in the first half of 2009, 16.6 percent fewer than in the prior year. However, the decline in the overall market was much more severe. Demand for the Tiguan, Audi A5 Coupé and Audi R8 models developed favorably. At 24,434 vehicles, deliveries of group models were down 3.4 percent on the prior year in the reporting period. Demand rose for the Jetta, Audi A4 and Audi A5 Coupé models. In the struggling Mexican passenger car market, which shrank 30.6 percent, Volkswagen's sales figures fell 8.4 percent to 61,845 deliveries. Increased demand was seen for the Jetta, SEAT Ibiza, SEAT Leon and Saveiro models.

South America: sales holding steady
Demand also fell in the South American passenger markets as a result of the slump in the global economy. However, Volkswagen Group was able to buck this trend and maintain sales of 402,195 vehicles in the first half of 2009 (prior year: 401,795). In Brazil, high demand for the Fox, Gol, Golf and Jetta models contributed to a 7.3 percent increase in sales figures on the comparable value for the prior year, with 339,264 vehicles sold. These figures include the lightweight commercial vehicles Saveiro and T2, sales of which fell 9.0 percent on the Brazilian passenger car market.

Demand for the group's vehicles on the shrinking Argentine passenger car market fell 24.9 percent on the prior year to 50,914 vehicles. Demand rose for the New Beetle and Audi A4. The Volkswagen group was able to maintain its market leadership in Argentina with a market share of 25.1 percent (24.0 percent).

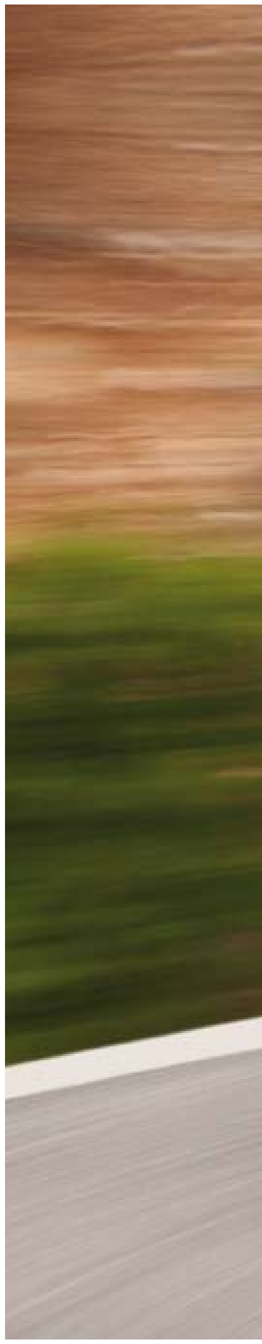
Asia-Pacific: maintaining the level of the prior year
The passenger car market in the Asia-Pacific region remained partially unaffected by the development of the global economy in the first half of 2009, with demand holding steady at the prior-year level. The Volkswagen group delivered 725,728 vehicles to customers in the region, an increase of 18.9 percent on the prior year. On the Chinese passenger car market, sales figures rose 22.7 percent to 652,436 vehicles. The Jetta, Santana, Audi A4, Audi Q7 and Škoda Octavia models enjoyed growing popularity. The Volkswagen group's share of the highly competitive Chinese passenger car market fell to 17.9 percent (19.0 percent), although it held on to market leadership.

Deliveries totaling 26,410 units meant that sales in the shrinking Japanese passenger car market fell 19.8 percent on the prior year. The Golf, Audi A3 and Audi A4 models saw increases in demand. Demand for the group's vehicles also fell in the region's other markets, including Australia and India.

Brands developing differently
A look at the delivery volumes of the Volkswagen group in the first half of 2009 broken down by brand also gives a differentiated picture. The Volkswagen passenger car brand performed well given the decline of certain international markets. 1,948,979 vehicles were sold, 2.2 percent more than in the comparable period of the prior year. This is mainly due to gains made in important markets such as China and Germany.

The other group brands were unable to repeat the delivery volumes of the first six months of 2008. With 465,978 vehicles delivered, Audi suffered a decline of 9.7 percent on the prior year, and Škoda saw sales drop 10.1 percent to 329,641 vehicles, while SEAT saw sales of 173,378 units, down 15.7 percent on the figure for the prior year. Falling sales figures were also seen at Bentley (minus 52.5 percent), Lamborghini (minus 37.0 percent) and Bugatti (minus 30.3 percent).

Deliveries at Volkswagen Nutzfahrzeuge fell 31.8 percent to 179,266 units in the first half of the year. Between January and June 2009, Scania delivered 20,667 heavy-duty commercial vehicles to customers throughout the world, including 3,049 busses.




S GO 718


S GO 1180

Models

Models

Unique design, top quality, outstanding handling and practicality – these aspects define the ideal behind Porsche's entire model portfolio. And today, more than ever before, fuel-efficiency and CO_2 emissions are at the heart of work on further developing our vehicles. These raised environmental standards are met by using state-of-the-art technology, consistently applying lightweight construction methods and implementing a range of detailed refinements. The results of many surveys and readers' polls show how successful this has been for the Porsche brand.

Porsche came first twice in the poll for "best car" held by the "auto motor und sport" magazine in Germany in fiscal year 2008/09, with the 911 Coupés and the 911 Carrera Cabriolet. And in June 2009, the readership of the industry magazine "Sport Auto" voted no fewer than four Porsche models into top spots: the 911 Carrera S Cabriolet, the 911 GT3 and the mid-engined Boxster S and Cayman. The 911 Carrera and 911 Carrera Cabriolet also came top in their classes in the "Auto Trophy 2008", a reader poll conducted by "Auto Zeitung". And readers of "Powercar" magazine voted for the 911 Turbo Cabriolet and 911 GT2. In the US, the inclusion of the Boxster and Cayman in the "Car and Driver's 10 Best Cars List" of the industry magazine "Car and Driver" underscored the reputation enjoyed by the mid-engined sports cars.

Porsche enjoyed success in the reporting year not just with its sport cars, but also with the second generation of the Cayenne sporty off-roader. The Turbo S came first in the "Off-road / SUV" category of the reader poll held by "Powercar". And in Central America, journalists voted the Cayenne GTS "Interamerican SUV of the Year 2009".

The British industry magazine "Engine Technology International" awarded the title "Best New Engine 2009" to the 3.8-liter 6-cylinder boxer engine of the 911 Carrera S. The competition was judged by well-known industry journalists from more than 30 countries using a range of criteria. Despite increasing output by 8.5 percent in comparison to its predecessors, this model with Porsche Doppelkupplungsgetriebe, PDK (Double-Clutch Gearbox) consumes 13 percent less fuel, while CO_2 emissions have been reduced by as much as 15 percent.

Many appealing developments
The Gran Turismo Panamera, which was introduced to the market in September 2009, represents a milestone in the Porsche brand's long-term strategy for growth. At the same time, the Stuttgart-based automobile manufacturer's three existing model series also caused a stir in fiscal 2008/09. The revamped 911 Carrera and Targa 4 models introduced from June 2008 onwards impressed customers and the interested public for the most part on account of the revolutionary engine with fuel-efficient direct fuel injection and Porsche Doppelkupplungsgetriebe, PDK (Double-Clutch Gearbox). From February 2009, these new technologies were then rolled out to the current generation of the Boxster and Cayman mid-engined sports cars. And the diesel and GTS Porsche Design Edition 3 variants were two appealing additions to the Cayenne series.

Including all models and derivatives that Porsche has introduced and announced in the current fiscal year, the portfolio now comprises four model series with a total of 31 models, without a doubt the most varied and appealing product range in the Company's long tradition, including the following models:

Boxster
Boxster S
Boxster Spyder
Cayman
Cayman S

911 Carrera Coupé and Cabriolet
911 Carrera S Coupé and Cabriolet
911 Carrera 4 Coupé and Cabriolet
911 Carrera 4S Coupé and Cabriolet
911 Targa 4 and Targa 4S
911 Turbo Coupé and Cabriolet
911 GT3 and GT3 RS
911 Sport Classic

Cayenne
Cayenne Diesel
Cayenne S
Cayenne S Transsyberia
Cayenne GTS
Cayenne GTS Porsche Design Edition 3
Cayenne Turbo
Cayenne Turbo S

Panamera S
Panamera 4S
Panamera Turbo

The following describes the characteristics of the newly introduced models.

A new dimension: the Panamera
Debuting a new vehicle at an auto show in China was a first for Porsche. As the Stuttgart-based manufacturers then also revealed the new Panamera on the 94th floor of a skyscraper high above the streets of Shanghai as part of the 13th "Auto Shanghai", the applause of the gathered international press was a safe bet. One thing is sure: the public like it. As a Gran Turismo with four doors, four seats and ample space for four adults with baggage, it combines the sportiness typical of Porsche with a high level of comfort.

The sporty design also suggests at first glance the vehicle's potential performance. With proportions based on Porsche's classical forms, the Panamera reveals its connection to the sports cars. The silhouette, similar to that of a coupé, compact overhangs and the characteristic design of the rear wings emphasize its sportiness.

With their 4.8-liter V8 engines with direct fuel injection (DFI) and VarioCam Plus variable camshaft adjustment, the Panamera S and Panamera 4S offer a maximum output of 400 hp (294 kW). In the case of the Panamera S, this power is transferred to the road via the rear wheels with the aid of a sporty six-gear transmission. For the Panamera 4S, the Porsche Doppelkupplungsgetriebe, PDK (Double-Clutch Gearbox) with seven gears (optional for the Panamera S) and Porsche Traction Management (PTM) with active all-wheel drive and electronically controlled multiple-plate clutch give more traction, sportiness and nimble handling.

In the Panamera Turbo, the 4.8-liter V8 twin-turbo engine with DFI and VarioCam Plus has an output of 500 hp (368 kW). With PDK as standard, the vehicle accelerates to 100 km/h from a standing start in 4.2 seconds, and has a top speed of 303 km/h. In this way, the Panamera Turbo enters new territory for vehicles of its class.

One innovation in connection with the PDK is the automated start/stop function, which cuts the engine when the vehicle is not moving, such as at lights or in heavy traffic. This saves fuel and reduces CO_2 emissions, a fact reflected in the statistics. The Panamera S only requires 10.8 liters of fuel per 100 kilometers with PDK in the EU cycle, the Panamera 4S 11.1 liters, and the Panamera Turbo 12.2 liters.

A three-level chassis system provides sportiness and comfort at the push of a button. The Panamera S and 4S have steel suspension with Porsche Active Suspension Management (PASM) as standard. As an option, or as standard for the Panamera Turbo, the new adaptive air suspension together with PASM offers an even wider range of options. This allows the spring rate of each strut to be adjusted, the vehicle to be lowered 25 millimeters at the push of a button, and, together with the adjustable springs, it enables the vehicle to transition from a comfortable setting to a stiffer, sporty one. Another option, a package consisting of Porsche Dynamic Chassis Control (PDCC) and an electronically controlled real differential lock, adds even more sportiness and comfort.

The continuous middle console that rises to meet the dashboard is the most striking aspect of the interior. This realizes the concept of a “car cockpit” with four individual seats for all four occupants. There are almost no limits to the degree of personalization possible thanks to a wide range of materials on offer, and options ranging from seat ventilation to luxury rear seats. The trunk volume of up to 1,263 liters also makes the Panamera the ideal vehicle for long-distance journeys.

In the field of audio and communications, the comprehensive program of individualization includes the exclusive Burmester® high-end surround sound system as well as Porsche Communication Management (PCM) including navigation module as standard. A total of 16 individually controllable loudspeakers including 300-watt active subwoofers and with a total output of more than 1,000 watts provide a unique acoustic experience.

State-of-the-art technology: the 911 Turbo
The new 911 Turbo represents the logical progression of its predecessors. With the completely new twin-turbo engine with 3.8-liter displacement and direct fuel injection (DFI), optional Porsche Doppelkupplungsgetriebe, PDK (Double-Clutch Gearbox) and other options such as Porsche Torque Vectoring (PTV) and dynamic cornering lights, the Turbo once again assumes its position at the forefront of high-performance sports cars. The newly developed Porsche Torque Vectoring (PTV) improves the vehicle’s steering through the selective application of the rear brakes. In the interest of further improving handling and comfort, the optional Sport Chrono Package Turbo comes with dynamic engine mountings that adapt their stiffness and spring rate to the situation. At the same time, the transfer of oscillation and vibration from the entire drive train to the chassis is considerably reduced.

The Turbo has an unusually high potential output. The maximum engine output is 20 hp higher than the predecessor model, at 500 hp (368 kw)

giving a maximum acceleration to 100 km/h in 3.4 seconds from a standing start (previously 3.7 seconds). Top speed is 312 km/h. Despite this, fuel consumption has been reduced by up to 16 percent and CO_2 emissions by up to 18 percent (calculated using the Euro 5 measurement procedure and the New European Driving Cycle).

One unique characteristic of the top-of-the-range 911 is the apron with large ventilation intakes, and pillar-shaped LED indicators. Titanium-colored plating in the side air intakes at the front and LED daytime running lamps instead of fog lights are other new developments. The new optional dynamic cornering light for the 911 Turbo improves the illumination of curves in the road by means of a lamp that can rotate through 16 degrees. Modern LED technology is now also being used for the rear lights. The 19-inch Turbo II wheels with forging technology and bi-color design as standard, developed for the 911 Turbo, give the car a particularly stylish appearance, as do the enlarged exhaust tailpipes.

Exclusive: the 911 Sport Classic

With only 250 units produced, Porsche will introduce the 911 Sport Classic to the market in January 2010. The 911 Sport Classic is part of the “Exclusive” customization division of Porsche’s overall strategy. This pursues the clear objective of emphasizing the core competencies of the customization division. The changes to the vehicle therefore concern the exterior, the engine and exhaust system, the wheels and the entire interior. The car is based on the 911 Carrera S Coupé with manual transmission, with output boosted 20 hp to 408 hp (300 kW). An optimum level of enjoyment is provided by the sporty chassis with Porsche Active Suspension Management (PASM) which has been lowered 20 millimeters, and has a rear differential lock and Porsche Ceramic Composite Brake.

The Sport Classic is immediately recognizable thanks to its new color, sport-classic gray, its widened chassis at the rear and its dual-domed roof. The design of the roof harks back to the Panamericana fair show cars from the year 1989. It is highlighted by two decorative stripes running parallel along the length of the vehicle. The 19-inch Sport Classic wheels with black painted hub-cap spokes and chrome tailpipes underscore the exclusive design. The “duck tail” of the 911 Carrera RS 2.7 from 1973 is also making a comeback in the form of a fixed rear spoiler that is harmoniously integrated into a rear section and designed exclusively for the 911 Sport Classic. The integrated chrome tailpipes give the 911 Sport Classic its own unique design.

With regard to the interior, the Sport Classic is characterized by particularly high-quality furnishings with a large number of exclusive, unique details. The application of espresso-colored natural leather to almost all components and the use of woven leather, a combination of light-gray yarn and leather, are particularly noteworthy. The changed dial faces and stainless steel entrance panel, as well as the limited edition signs for the interior and exterior are unique features of this exclusive sports car, and have been harmoniously incorporated into the overall concept of the 911 Sport Classic.

Close connection to motor sports: the 911 GT3

Within the 911 series, the 911 GT3 is the most nimble, offering the best handling, particularly manual six-gear transmission, the optimized handling of the chassis, the significant increase in downforce and, last but not least, its functional yet elegant and forceful appearance guarantee this vehicle pole position within its segment. The 911 GT3 is the first vehicle to include Porsche Stability Management (PSM).

Just like its predecessor, the new 911 GT3 RS is the basis for the homologation of the 911 GT3 racing cars. The new 911 GT3 RS differs even more from the basic 911 GT3, and its handling characteristics are closer to those of the racing cars. This is mainly due to the increased engine output of 450 hp (331 kW), the wider chassis, wheels and track, dynamic engine mountings, a large rear spoiler and the specific calibration of handling elements.

around corners. The new 911 GT3 shares many important features with the 911 GT3 Cup and 911 GT3 RSR models from motor sports. As a direct offshoot, the 911 GT3 embodies the essence of the brand with sportiness and particularly high performance. The even more powerful engine with 3.8 liters of displacement and 435 hp (320 kW), the sporty tuning of the

Porsche's engineers were able to reduce the weight of the car by 25 kilos in comparison to the basic model using an engine with a single-mass flywheel, a titanium muffler and lightweight chassis components made of aluminum and carbon fiber (CfK). Optional extras such as the Porsche Ceramic Composite Brake System (PCCB), lightweight halogen lights

and the innovative lithium ion battery offer even more potential to reduce weight.

A purist driving experience: Boxster Spyder

Porsche added a decidedly purist model to its Boxster series in February 2010, with an emphasis on the most important aspects of the vehicle: impressive design, top performance and pure enjoyment of driving in an open-top sports car.

The Boxster Spyder has been given a completely new look. The striking air intakes at the front with a short, thin LED positioning light provide cool air to the radiator and brakes. The air intakes at the sides of the passenger compartment have been redesigned, and provide a finishing touch to the unique silhouette. A new door glass design highlights the dipped profile, and the extremely sporty rear section is dominated by a continuous trunk lid with two pronounced protuberances behind the roll bar and a fixed, stand-alone rear spoiler. This is complemented by a twin tailpipe in a sporty black finish.

The consistent orientation towards the experience of the open road is emphasized by the lightweight, close-fitting and low, manually-operated roof. It is quick and easy to assemble, and can be stored without taking up too much space. Aluminum doors and a minimalist door panel reduce the weight even more.

The 3.4-liter engine supplies 320 hp and 370 Nm of torque. The six-gear manual transmission transfers the power to the series-standard rear differential lock. The stiff sports suspension with new 19-inch Boxster Spyder wheels, which also comes as standard, ensures that the potential for performance is realized. Combined with the 80 kilogram reduction in weight in comparison to the Boxster S, extraordinary performance is achieved.

Conventional comfort elements have been eliminated from the interior to reflect the character of the Spyder. The standard vehicle comes without a radio, air conditioning unit, cup holder, door storage compartments or a cover for the instrument panel, but does include lightweight bucket seats. A limited range of special equipment options is available for those customers who do not want to live without certain details.

Economical and sporty: Cayenne Diesel

In February 2009, Porsche introduced the first luxury vehicle with a diesel engine. The Cayenne Diesel was the Company's response to long-term trends towards reducing consumption and emissions, without neglecting important brand values such as performance and handling. The Cayenne Diesel is mainly offered on European markets with a high proportion of diesel vehicles. The 3.0-liter turbo diesel motor with 240 hp combines a number of advantages, such as the high performance of a diesel engine, low displacement for low consumption and reduced CO_2 emissions and an exhaust turbocharger with variable turbine geometry for high torque at low rpms. A catalytic converter and series-standard diesel particle filter are also used to treat exhaust fumes. Thanks to this, the Cayenne Diesel meets the Euro 4 exhaust standard. The use of the turbo diesel motor in the Cayenne reduces consumption in the EU cycle to 9.3 liters per 100 kilometers.

High quality: Cayenne GTS
With the new Cayenne GTS Porsche Design Edition 3, of which 1,000 units have been built, the Company is continuing the successful tradition of the Porsche Design Edition special models 1 and 2. Metallic lava-gray paint, modest stripes on the hood and sides and the striking model wordmark in black with a red "S" reinforce the vehicle's sporty, exclusive character. The same applies to the 21-inch Cayenne SportPlus wheels with widened wheel housings and painted in the same color as the body, black exterior package with Bi-Xenon headlights and other extras such as front and rear skirts, roof-mounted spoiler and side wings in metallic lava gray. In the interior, sporty seats and luxury black leather furnishings with contrasting red stitching as well as alcantara elements, trim strips in carbon and dial faces using Porsche Design style also give the car a sporty/exclusive flair. The series-standard sport exhaust system and BOSE® surround sound system guarantee unmistakable sound. The performance figures are impressive: the 4.8-liter V8 suction engine with 405 hp accelerates to 100 km/h in 6.5 seconds with the aid of Tiptronic S, and top speed is 251 km/h.

The Porsche Design accessories, produced exclusively for the vehicle and provided as standard, are just as exclusive as the vehicle itself. These include the P'6612 "Edition 3" automatic chronograph with titanium housing and unique dial face, as well as four high-quality pieces of baggage from the Roadster Porsche design series with their own label "Porsche Design Edition 3".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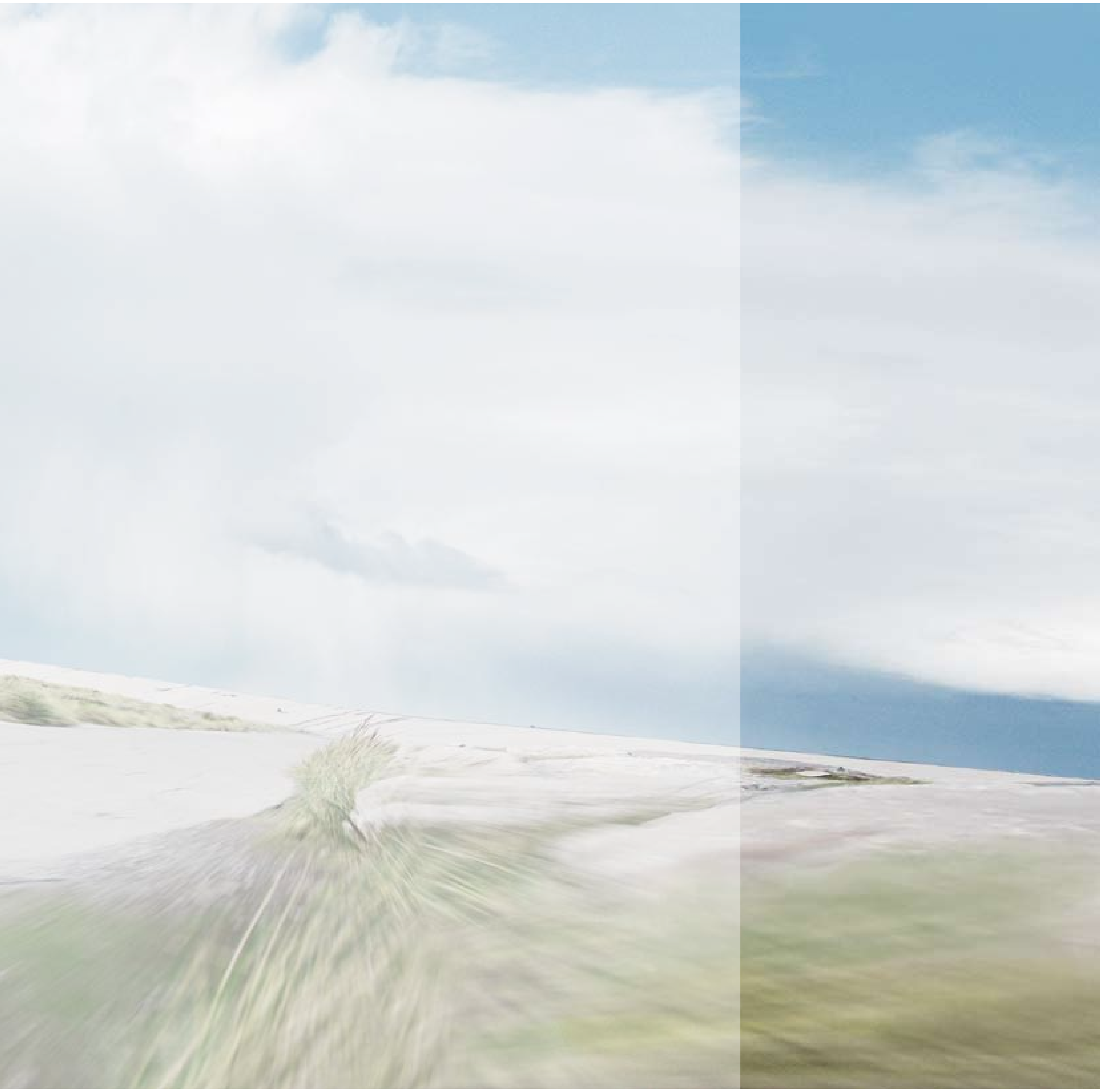
Environment



Environment

The automotive industry is undergoing changes. Changes brought about by discussions on climate protection that have had a strong influence on the public consciousness. For European customers, environmental impact is already among the top five criteria when deciding to purchase a vehicle.

No question about it: mobility is a critical factor for the health of the economy and society at large. Globalization and international trade are not possible without the transport of goods and personal travel. This makes it more important than ever to make this increasing mobility environmentally friendly, commercially viable and socially responsible. It is the responsibility of the automotive industry to continue reducing the fuel consumption and CO_2 emissions of vehicles.

Cars more economical
The German automotive industry has proactively taken on this challenge in the past. In the seventies and nineties of the last century, it promised to reduce fuel consumption. The extent of their success can be seen in two examples. Firstly, modern vehicles consume an average of two liters less fuel per 100 kilometers than at the beginning of the nineties. Secondly, the distance driven per liter of fuel has increased two thirds since 1978. At that time, a car could go about nine kilometers on a liter of fuel, while today the figure is 15 kilometers.

Despite the continued growth of road traffic, due in part to the relaxation of borders in Europe and the enlargement of the European community, Germany's CO_2 emissions peaked in 1999. Road traffic CO_2 emissions have fallen since then, with the figure for 2006 down 1.5 million tonnes on the 1990 values. No other Western European country has been able to do this.

This positive trend continued into the last two years. In 2007, the average CO_2 emissions of passenger cars newly registered in Germany fell a further 1.7 percent, with an even steeper reduction seen for newly

registered German-brand passenger cars in 2008. The most economical vehicles are unquestionably those offered by German manufacturers, and not only small vehicles, but also large family cars. Most impressive are the luxury vehicles. In this segment, the automotive industry was even able to reduce fuel consumption by more than the industry average.

The innovative strength of the German automotive industry is revealed in the approximately 19 billion Euro it invests each year in research and development, more than any other industry. Almost 100,000 employees are involved in research and develop for the cars of the future, a number that has increased by 50 percent in about a decade. With this combined power, the German automotive industry will also face the new challenges posed by legislation passed by the European Union in 2009 for the year 2012.

Strict European CO_2 legislation

In 2007, the EU Commission required that the CO_2 emissions of new vehicles be reduced to 120 grams per kilometer (g/km) as of 2012. This proposal was incorporated into "Directive (EC) No. 443/2009". This marks the first time that a law has been introduced for car manufacturers and importers who want to sell their vehicles in the European Union.

Before being made law, the original proposal of the EU Commission was the subject of heated debate, and key aspects have been changed. The result is that the average CO_2 emissions of the entire European fleet of new vehicles should not exceed 130 g/km in the „New European Driving Cycle" (NEDC) in the period from 2012 to 2020. NEDC is a standardized procedure for measuring emissions with a speed profile that has been precisely defined by legislation. In order to achieve the target of 120 g/km, a further ten grams should be attained by supplementary measures such as the use of bio-fuels, low-drag tires, effective air conditioning and other technical refinements.

However, the future CO_2 limit for the fleet is not a uniform target for every manufacturer. It is rather calculated according to the average weight of its vehicles sold in Europe. Heavy fleets may consume slightly more than 130 g/km, the lighter ones must consume less.

Large variety offered by manufacturers

However, this regulation still does not do justice to companies such as Porsche with a highly specialized portfolio of vehicles and smallscale manufacturing operations. Critics stress that the variety of manufacturers and models, and the commercial viability of the European automotive industry must be maintained. This is why companies that register less than 10,000 vehicles each year in the EU are able to come to a special arrangement with the Commission; one that is challenging but realistic. For example, manufacturers producing 10,000 to 300,000 vehicles per year can agree to a 25 percent reduction of CO_2 emissions per annum. The calculation is based on the figures for the vehicles manufactured in the year 2007.

Using the fleet values of all manufacturers represented in Europe as of 2006, the new limit will bring about a reduction in CO_2 emissions of between eleven percent and 25 percent. The lower value applies to the lowest segment of manu-facturers of small vehicles, mainly based in Italy and France, while the upper value applies to luxury vehicle manufacturers, mainly based in Germany.

Specific technological innovations that contribute to reducing CO_2 emissions, i.e. ecological innovations, can also be taken into account. LED headlights, for example, use less electricity and therefore less fuel, but are not taken into account by any of the criteria previously mentioned. However, such measures may only be credited to a manufacturer up to a maximum value of seven g/km. Legislators also have to draw up clear rules for accreditation by 2010.

Risk of severe penalties
In order to give all manufacturers sufficient time to adjust, the new law will be introduced on a step-by-step basis. In 2012, only 65 percent of all of a manufacturer's new registrations will be taken into account, then 75 percent in 2013, 80 percent in 2014 and then all vehicles in the following year. However, in order to give companies an incentive to offer fuel-efficient vehicles within as short a time as possible, each new vehicle with CO_2 emissions below 50 grams will count three and a half times in 2012 and 2013. This multiplier will be reduced to 2.5 in 2014, and 1.5 in 2015. From 2016, even exceptionally environmentally friendly vehicles will only be taken into account once.

High penalties will ensure compliance. If a Company does not manage to meet its individual target, it must pay five Euro for the first gram in excess of the limit, 20 Euro for the second gram, 45 Euro for the third and 95 Euro for the fourth. The fleet value will be calculated annually. In other words, penalties could be incurred annually.

It is intended that the new EU CO_2 regulation will apply until 2020 after which the CO_2 regulations are likely to become tighter. The initial target is a mean emission of 95 g/km for the entire European fleet, which translates into a further 25 percent reduction in fuel consumption. However, before a corresponding resolution is passed, the feasibility and above all extent of a stricter limit should be examined from 2013 onwards.

Porsche vehicles more fuel-efficient
At Porsche, accountability for actions and economic success are inextricably intertwined. This is why conservation has formed an integral part of company policy for many years. As early as 1995, Porsche undertook to conserve resources and limit its impact on the environment. This is also made clear by the principles of the Company's environmental policy:

- Porsche develops, produces and sells high-quality, exclusive sports cars to very high dards, including with regard to the environment.
- Porsche wants to conserve resources and limit its impact on the environment as much as possible.

– Porsche develops and applies manufacturing procedures that are as environmentally friendly as possible.
– Porsche naturally meets all current environ mental regulations.
– Porsche regularly informs the public of its efforts with regard to the environment, and aims to maintain open and cordial dialog with authorities and organizations.

In the past, the company has also spent a great deal of money on limiting its impact on the environment as much as possible. The refinement of all model series in terms of their impact on the environment is a high priority for the development departments.

In the last 15 years, Porsche has reduced the CO_2 emissions of its vehicles by an average of 1.7 percent each year. This decline has accelerated significantly in the last four years. If one compares the vehicle portfolio from 2006 with the portfolio for 2009, average consumption has improved by 2.8 percent each year. Porsche will continue along this path of continuously improving the consumption of all its models in future and prove its competitiveness, even in terms of their environmental impact.

In order to do justice to this important operating goal, Porsche has created a department within its development department that is responsible for optimizing energy management. A significant

The fact that Porsche is continuously improving the fuel consumption of its vehicles can be exemplified by a comparison of a Carrera from the year 1994 with a current model. Fifteen years ago, the vehicle had a 3.6-liter engine with 285 hp (210 kW) and consumed 14.4 liters per 100 kilometers. The 2009 Carrera, with exactly the same displacement, has an output of 345 hp (254 kW) but only requires 9.5 liters per 100 kilometers. A one-third reduction in consumption also dramatically reduced exhaust emissions. The old Carrera was built according to the Euro 1 exhaust standard, while the current model meets the much stricter Euro 5 requirements.

reduction in consumption can only occur if all components and systems are optimized and networked with regard to their energy efficiency. Here, energy management concepts that are heavily networked are developed for the entire vehicle. The best evidence of the success of these efforts lies in the excellent consumption figures of the new Panamera.

Hybrid drive trains nearing series production

In the past fiscal year development of a hybrid drive train came a good step closer to series production. This system, which has a particularly low environment impact will be used in both the Cayenne and the new Panamera. Combining a gasoline engine with an electric motor offers the potential of reducing consumption considerably. The Cayenne S Hybrid, for example, in which the new drive train is currently being tested, always drives in its optimal range, depending on whether the vehicle is currently in stop-and-go-traffic, normal around-town driving, or on a long distance haul.

The drive is based on a parallel full hybrid concept. The electric motor can power the vehicle alone – for moderate acceleration – or in combination with the combustion engine. Compared to the customary hybrid drives on the market, this design demands a great deal of technical expertise but, in return, offers numerous important benefits: consumption for interurban and highway journeys can be significantly reduced as the vehicle can roll at a speed of up to 130 km/h without any need for the combustion motor. If the driver takes his foot off the pedal at this speed, the gasoline engine switches off and the Cayenne continues to roll without any noticeable change. If, by contrast, he puts his foot on the gas pedal again, the gasoline motor accelerates the vehicle without any delay. Moreover, acceleration and elasticity in the parallel full hybrid are significantly better because the electric engines and gasoline engine can be used together to boost acceleration.

Porsche has optimized this concept in cooperation with Volkswagen Group. The gasoline engine is a 3.0-liter V6 turbocharged engine with DFI generating 333 hp (245 kW). The automatic transmission has been stepped up from six to eight gears. The Cayenne sprints from 0 to 100 km/h in 6.8 seconds. These are performance figures that are normally only attained by the V8 model.

Once it goes into series production, the Cayenne S Hybrid will consume less than nine liters of fuel for 100 kilometers measured on the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New European Drive Cycle (NEDC). This represents savings of approximately 30 percent on the 2009 Cayenne V6 model with a standard drive train.

Lightweight construction cuts fuel consumption of the Panamera
A similar combination of high performance and economic consumption is also attained in the new Panamera thanks to its modern drive technology, the progress made with aerodynamic efficiency and intelligent use of lightweight materials. For example, in the Panamera, the axles, doors, hood, wings and trunk lid are all made of aluminum to reduce the weight of the vehicle. Measures to save energy have also been incorporated in the brakes.

The Panamera is only available with a range of efficient direct fuel injection engines. Consistent reductions in weight and frictional drag for all moveable parts of the drive are supported by innovations such as sensor-based thermal management of the cooling water, which leads to further fuel savings. The Porsche Doppelkupplungsgetriebe, PDK (Double-Clutch Gearbox), which Porsche is the first to offer in this segment, makes an additional contribution towards reducing consumption and, what is more, provides even greater driving comfort and sportier handling.

Another milestone set by the Panamera is the first start/stop system for a premium vehicle with an automatic transmission. If the vehicle is standing still, for example at traffic lights or in congestion, depressing the brake pedal cuts the engine. This saves fuel and lowers CO_2 emissions. The fuel savings can be as much as ten percent in city traffic and approximately five percent in the test cycle of the NEDC. Under the European Directive, the Panamera S requires 12.5 liters of fuel per 100 kilometers. Equipped with PDK, it only needs 10.8 liters. In spite of its amazing performance, the Panamera Turbo only needs 12.2 liters of fuel per 100 km. As such, the vehicle sets new standards in its performance class. The Panamera S with PDK beats its competitors both in terms of acceleration, sprinting from 0 to 100 km/h in 5.2 seconds and also in terms of lower consumption.

Environmental protection at all locations
Porsche endeavors to minimize its impact on the environment in everything it does. For this reason, our environmental principles are supported by the following environmental guidelines:

- Our employees are the most important partner when it comes to protecting the environment for which they are trained systematically.
- Our manufacturing facilities are operated to make as little impact on the environment as possible, with their environmental impact being assessed and judged at regular intervals.
- Our business associates and contractual partners are involved in our efforts to protect the environment.
- The impact on the environment of all of our activities is analyzed regularly, evaluated, assessed and optimized using the best techniques that are economically feasible.
- Specific environmental goals and programs are set for all operating functions.

Environmental management at Porsche is an effective instrument for improving the environmental performance of the Company's locations. This system governs processes, responsibilities and competencies for environmental protection and ensures that each employee knows and takes into account the impact of their activities. In this way, Porsche is able to efficiently translate the responsibility which the Company has assumed to protect the environment into its daily operations.

Back in 1995 Porsche installed GAO, a contingency plan for handling risks. This risk avoidance plan governs the procedures to be followed in emergencies to avoid any risks to human health or the environment and keep

the consequences to a minimum. This plan proved its worth in dramatic fashion in fiscal year 2008/09. On 3 July 2009, a heavy thunderstorm caused substantial flooding at various parts of the facility at the Zuffenhausen location. The GAO contingency plan ensured that the emergency measures were carried out in exemplary fashion, resulting in rapid containment of the damage and any adverse impact on the environment.

In the reporting period the environmental management system in place at our locations in Zuffenhausen, Weissach, Sachsenheim and Leipzig was further fine-tuned. Regular environmental audits identify potential improvement, focusing in particular on compliance with environmental laws, Porsche's environment policy, the functioning of the environmental management system and the monitoring of environmental performance indicators. These are conducted in conjunction with an external environmental auditor.

In June and July 2009 reaudits pursuant to ISO 14001 or EMAS were conducted at our locations in Zuffenhausen, Sachsenheim and Weissach. The environmental management system was investigated by TÜV inspectors over a period of three days who placed their focus on the organization, its environmental goals and on any processes relevant to the environment. The high level of environmental protection attained by our locations was once again confirmed.

In Leipzig the environmental management system was also reviewed pursuant to ISO 14001 in June 2009. At the Leipzig facility, which is being expanded to house production of the fourth series, all machines and equipment, parts of the building, fixtures and facilities were all subject to a thorough reassessment.

Improvements in environmental performance

Our environmental performance was improved significantly in the past fiscal year by optimizing processes. The installation of additional meters ensures that consumption in the existing paint shop is continuously measured and analyzed. The results are being considered in the planning of the new paint shop. The new construction, which is one of the most modern and most environmentally friendly paint shops worldwide, uses the most advanced technologies, particularly in terms of environmental protection. As it is totally encapsulated, the painting process is fully protected from dust. This method not only improves the already high quality of the paint job but also reduces requirements for treating the air of the hall. A particularly efficient energy management system also provides special benefits for protecting the environment.


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In order to handle the higher demand which will arise from production of the fourth series, Porsche has also expanded its engine assembly operation in Zuffenhausen. High environmental standards have been implemented. For example, compressed air screwdrivers have been installed instead of electric tools and a second cold-test station put into operation. This reduces the duration of testing by around 22 percent. The number of empty transports needed in logistics has been reduced, which will reduce carbon emissions by approximately 100 tons per year.

Since June 2008, Porsche has been a recognized recycler of end-of-life vehicles in accordance with section 5 (3) of the end-of-life-vehicles directive. The certificate for the Weissach location was renewed in June 2009.

Water protection measures were continuously implemented throughout the reporting period. A matrix for treating waste water arising from soil decontamination has been prepared to ensure uniform compliance with the law. This governs which waste water should be treated or remain untreated before being fed into the drains and which waste water should be professionally removed.

Punctual and clean arrival by train
The new loading station was commissioned in 2001 already, the product of intensive cooperation between Porsche and Deutsche Bahn. Since this date, all vehicles manufactured in Zuffenhausen and designated for the United Kingdom and overseas are railed to Emden and Bremerhaven for shipping.

Starting February 2006, Porsche expanded this logistics concept. Thanks to newly developed railway wagons and mega-trailers that can be transported by rail or towed by truck on the road, deliveries of engines and other components have been shifted off the road and onto railway cars.

Porsche also relies on rail transport at its Leipzig location. The preassembled bodies for the Cayenne and Panamera arrive daily by train at the facility's own loading station. The vehicles of both series designated for overseas transport are likewise railed to Emden for shipment.

This logistics concept has proven extremely beneficial both economically and ecologically: rail transport is characterized by its absolute punctuality and minimal losses during loading and unloading. Moreover, the close cooperation with Deutsche Bahn saves 11,000 truck shipments each year. In absolute terms, this is equivalent to savings of approximately 32,000 tons CO_2 or 4,000 tons per year.

Motor Sports


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Motor Sports

An impressive series of victories in the field of motor sports in fiscal 2008/09 showed once again that the best sports cars are made in Stuttgart. In the face of stiff competition, Porsche's vehicles not only held on to the title in the American Le Mans Series (ALMS), they also reclaimed first place in the European Le Mans Series (LMS). The Swabian-made vehicles also won Germany's most significant competition, the 24-hour race on the Northern Loop of the Nürburg-ring, for the fourth year in succession.

The Company's motor sports customers around the world continued to set the pace. With more than 200 vehicles delivered, Porsche remained one of the largest manufacturers of racing cars in the world. Ten Company drivers supported customer teams at important championships and long-distance races. In addition to carrying out the technical groundwork, the motor sports center in Weissach also delivered engines, transmissions and components as well as sending engineers and mechanics to race tracks in 90 different countries.

Whether in top-level competition using prototypes, Gran Turismo championships, manufacturers' cups or club races, Porsche kept adding new chapters to its long story of success. It's more than just a matter of collecting titles. On the race track new technologies can be tried and tested under extreme conditions. Through its involvement in the sport, the Company gains valuable experience for the development of its series vehicles, which benefits the customer at the end of the day.

Prototypes victorious in Daytona and Le Mans
In January 2009, Porsche returned to the scene of many a triumph with a splendid victory. The top American teams Penske Racing and Brumos Racing put their faith in "Porsche Power" for the 24-hour race on the Daytona International Speedway in Florida. The four-liter, six-cylinder engines of the sports prototypes developed in Weissach and at Porsche Motorsport North America managed an output of around 510 hp (375 kW). After a dramatic race, the Brumos Porsche

driven by David Donohue, Darren Law, Buddy Rice and Antonio Gracia crossed the line as victors with a slim 0.16 second lead. Third place also went to a Brumos Porsche. Penske Racing, fielding Company drivers Timo Bernhard and Romain Dumas, struggled with technical problems towards the end of the race, but recorded the best lap time and were leading for much of the race.

Porsche also began the 2009 season of the Grand-American Rolex Sportscar Series with its 21st overall victory in Daytona. Penske Racing and Brumos Racing were in the running right up until the end of the year, despite the organizers continually changing the rules with rpm-limits, increasing the minimum weight and requiring five-gear transmissions instead of the original six permitted. Following a further victory by Brumos Racing at the final in Miami, Porsche came second in the manufacturers' competition.

While the Company started out as a partner for engines and development in the Grand-Am class, the end of the 2008 season represented the planned end of its involvement with the RS Spyder sports prototype following three very successful years. Three times in a row, the vehicle, which ended with 440 hp (324 kW) output and a weight of just 825 kilograms, claimed all titles in the American Le Mans Series, as well as the European Le Mans Series and its class in the 24-hour race at Le Mans in 2008.

In 2009, customer teams demonstrated the excellent qualities of the sports prototype at selected races. Team Essex from Denmark entered the 1,000 kilometer race in Spa in May, winning in their class at the first attempt. In Le Mans, the RS Spyder once again proved itself to be unbeatable, with Team Essex achieving an even more convincing victory than in the year before. Casper Elgaard, Kristian Poulsen and Company driver Emmanuel Collard won with a 15-lap lead. The RS Spyder once again won the environmental award "Michelin Green X Challenge", which goes to the racing car with the lowest consumption values per lap.

Fans in the US were given another opportunity to experience the RS Spyder. Team Cytosport entered the prototype into four races in the American Le Mans Series, achieving podium placements each time.

The 911 in Gran Turismo sport

Countless victories and championships have added to Porsche's legendary reputation in Gran Turismo sport. In this competition, racing cars must be based on series vehicles rather than prototypes. In fiscal 2008/09, the Company offered four racing variants to customers for use in the various Gran Turismo classes.

Originally conceived for the Porsche Cups, professional customer teams racing the 911 GT3 Cup have also enjoyed success in GT championships. It has been in use since 1998, and is the most popular racing car in the world with 1,400 units delivered. The vehicle, which has an output of 420 hp (309 kW), served as the basis for the even more powerful GT3 Cup Grand-Am for the GT class of the Grand-Am Series.

The motorsports division continued to refine the GT3 Cup S, first used in 2008, in response to the increasing importance of GT3 championships. With a 440 hp (324 kW) variant of the familiar 3.6-liter racing engine, refined aerodynamics and a chassis that borrows aspects from the even more powerful GT3 RSR, the GT3 Cup S also enjoyed a series of impressive victories in the reporting year.

The GT3 RSR, top of the range among the current racing variants of the 911, was introduced in 1999 and has been in constant development ever since. Prior to 2008, this Porsche had won the GT2 class at Le Mans eight times, for example. Having inherited a long and glorious tradition, this 911 also proved itself to be the winning type in 2009. The boxer engine, with a displacement that has been increased from 3.8 to 4 liters in the latest model, has an output of around 450 hp (331 kW) despite the downsizing of the air intake volume limiter demanded by the rules, and impresses with its excellent handling and exemplary efficiency.

Towards the end of summer 2009, Porsche presented its vehicles for the 2010 season in the form of the 911 GT3 RS and 911 GT3 Cup. A sporty, road-going variant and the basis for the series-based GT racing cars, the GT3 RS with 450 hp (331 kW) has a number of lightweight components, a closely layered transmission, a specially constructed and calibrated chassis and large wheel housings.

The GT3 Cup, based on the 911 GT3 RS and presented at the IAA motor show in Frankfurt in September 2009, weighs 1,200 kilograms and has an engine output of 450 hp (331 kW). It is the most powerful and fastest racing car in the history of 911 GT3 Cup models, and is used in the Porsche Cups as well as a number of GT3 championships.

The long road to success
Since the sensational overall victory of the 911 at the 24-hour race in Daytona in 1973 (the first victory by a 911 in the manufacturers' championship), the classic sports car has made its mark on the most famous endurance race in the world. On the second weekend of January, more than 80 GT racing cars started the first 24-hour race of 2009 in Dubai. Victory was claimed by the 911 GT3 Cup of the Land Motorsport Team. Seven other 911 made it into the top ten.

At the 24-hour race in Daytona, Porsche supported customer teams in both the prototype and GT classes by providing nine Company drivers. Following the triumph of a Porsche Riley in the prototypes, a triple victory in the Gran Turismo class rounded off the result of the oldest 24-hour race in America. The Company drivers Jörg Bergmeister and Patrick Long won the race in a 911 GT3 Cup Grand-Am for Team TRG, ahead of their colleagues Emmanuel Collard and Richard Lietz, who drove TRG's second 911 into second place together with two American drivers. The third-placed Porsche from Wright Motorsport was driven by Company driver Sascha Maassen among others.

The 24-hour race on the Nürburgring in May also turned out to be a triumph for Porsche. In a company-supported 911 GT3 RSR from the Manthey Racing Team, Company drivers Timo Bernhard, Romain Dumas and Marc Lieb and Manthey driver Marcel Tiemann proved, in front of around 235,000 onlookers, to be unstoppable. The quartet of drivers achieved the fourth victory in a row for the Manthey team on the hardest racing track in the world. Porsche had a total of seven Porsche 911 in the top ten. A 911 GT3 Cup S came in third, while fourth place went to a series-based 911 GT3 Cup, which was able to leave much more powerful racing cars than itself in the dust.

Porsche customers enjoyed a further victory at the 24-hour race in Zolder, Belgium. Rudi Penders, Franz Lamot, David Loix and Louis Machiels set a new long-distance record in a 911 GT3 RSR of the Prospeed Competition team. A 911 GT3 Cup S entered by First Motorsport completed the double victory by coming in second.

A thrilling race was driven by Jörg Bergmeister, Marc Lieb and Patrick Long at the 24-hour race in Sebring, Florida. The trio of Company drivers lost twelve minutes on the second lap due to an accident that was not their fault and the resulting repairs. After a series of record-break-

ing laps, the Porsche entered by Flying Lizard Motorsports had made it to third place 70 minutes before the end of the race when a new bump from a competitor cost them a place on the podium. In fourth place, the team still managed to gain important points in the American Le Mans Series, which began the new season in Sebring.

At the 24-hour race in Le Mans, Jörg Bergmeister and Marc Lieb competed for pole position in the GT2 class in their 911 GT3 RSR models. Bergmeister came in just three hundredths of a second faster. The bad luck of the previous year stayed with them. Lieb's Felbermayr-Proton 911 fell victim to a fault in the gasoline system. Bergmeister had to take the Porsche of the Flying Lizard Motorsports Team out of the race after a bump from a competitor, with the race living up to its reputation for being one of the most unpredictable endurance circuits in motorsports.

Porsche customers win championships
Porsche customers entered almost all major Gran Turismo championships in the world. They faced the stiffest competition since the renaissance in motor sports with GT racing cars at the end of the nineties. The Porsche 911 excelled in the GT class of the most important American sports car championships. Company drivers Jörg Bergmeister, Wolf Henzler and Patrick Long entered the American Le Mans Series (ALMS) on behalf of customer teams, with Bergmeister driving a 911 GT3 RSR for the Flying Lizard Motorsports Team as defending champion alongside Patrick Long.

With a series of victories from the second to the sixth race, the duo initially set a record that seemed unattainable. The tenth and last race, which saw a struggle in the final bend against a Corvette, ended with the sixth victory of the season. This confirmed Bergmeister and Long as the champions. Flying Lizard Motorsports won the team competition, while Porsche was once again able to claim the manufacturer's title and the "Michelin Green X Challenge". This success reinforced Porsche's position as the most successful car manufacturer in the ALMS, while victory in the final race at Laguna Seca, California marked its 100th triumph in total. Since 1999, Porsche drivers have won the drivers' championship nine times. Customer teams have been made team champions eight times, and Porsche has come top among the manufacturers in nine racing years.

Porsche teams and their 911 GT3 Cup Grand-Am cars impressed in the GT class of the Grand-Am Series held in the US and Canada with their speed and constancy. Following a triple Porsche victory at the 24-hour race in Daytona at the beginning of the season, the German-American

team Farnbacher Loles took the lead with the German team driver Dirk Werner and the American Leh Kenn. In twelve races, the pair achieved podium places a total of seven times, four times as champions. At the end of the season they were able to celebrate a clear victory. Porsche comfortably claimed the manufacturers' title.

Customer teams also enjoyed success in Europe, with Porsche's support. The five qualifying races of the Le Mans Series are driven over the traditional sports car racing distance of 1,000 kilometers. Company drivers Marc Lieb and Richard Lietz achieved victories at the Circuit de Catalunya near Barcelona, at Spa-Francorchamps in Belgium and at the Nürburgring in a 911 GT3 RSR entered by the team Felbermayr-Proton. The Lieb / Lietz partnership led twice on points, and at the end of an exciting season claimed the GT2 championship for themselves. This was Lieb's third drivers' title in the important championship following victories in 2005 and 2006.

The competition in the international FIA GT championship was decided in the last race, with Briton Richard Westbrook claiming the GT2 title in a 911 GT3 RSR entered by the Prospeed Competition team. The Briton and his teammate, Porsche Company driver Emmanuel Collard, dominated the season and the championship with a brief interlude. In order to raise their chances of a title, Westbrook and Collard started the title in different Porsche vehicles. As the Porsche veterans were competing for the title, two young drivers were taking the opportunity to prove themselves on an international stage. 21-year old Marco Holzer and Martin Ragginger, also 21, entered the FIA GT championship as “Porsche juniors” in training for the Carrera Cup Deutschland. The up-and-coming drivers impressed the world of motor sports with impeccable performances in their unusual 911 GT3 RSR. This was also the case in the final, with Holzer sharing the driver's seat with Westbrook, and Ragginger joining Collard in the pursuit of faster times.

Richard Lietz and Gianluca Roda began 2009 in a 911 GT3 RSR provided by Autorlando Sport in the top class of International GT Open, which Lietz won in 2007, as runners-up from the previous year. Eight racing weekends with 16 races were scheduled throughout Europe. With four races remaining, the Austrian and the Italian looked like safe bets for second place in the drivers' rankings in the fall, followed by another Autorlando Porsche driven by Pedro Couceiro and Manuel Giao from Portugal and the Frenchmen Patrick Pilet and Raymond Narac in a GT3 RSR from IMSA Performance Matmut.

Partnerships between Porsche Motorsport and professional customer teams also proved a recipe for success in many national championships around the world. This was demonstrated in one of the toughest tests for drivers and racing cars in the world, the BF Goodrich Endurance Championship at the Nürburgring. The championship is held on a 24.4 kilometer combination of the Northern Loop and the Grand Prix track, with racing distances of between 650 and just under 1,000 kilometers. With eight overall victories in nine races and one race remaining in the fall, Porsche teams demonstrated the superiority of the GT racing car developed in Weissach. A GT3 RSR from the Manthey Racing Team secured five wins. The Mamerow Racing Team achieved three victories with a 911 GT3 Cup S.

Company driver Sascha Maassen supported the team Autorlando Sport and its team driver Francisco Cruz-Martins at the Italian GT championship. The collaboration was highly successful, and Autorlando Sport was able to celebrate a championship title for Cruz-Martins after the final in Monza. Porsche customers were also victorious in Spain and Belgium. In the US, Porsche was the clear winner of the manufacturers' championship in the SCCA Speed World Challenge GT thanks to the dedication of its customer teams. In selected races, a 911 GT3 RS entered by the Hankook Porsche Team enjoyed success in the Japanese Super GT Series.

Mass sport and fostering young talent

Porsche Cup racing offers a unique foundation for customer sport. The GT3 Cup Challenges are held in connection with club sport for amateur racing drivers. The Carrera Cups enjoy the status of national championships for professional teams. The Porsche Mobil 1-Supercup is held as a prestigious GT championship in connection with the FIA Formula 1 championship. 13 cup races in which customers start in identically fitted 911 GT3 Cup racing cars were seen in 20 different countries in 2009. Porsche organizes these races beginning with the delivery of start-ready 911 GT3 Cup vehicles through to the organization of the weekends and television coverage. The Cups are hosted by other racing series that are worthy of the Porsche brand's premium reputation. Back in summer 2008, Porsche had already reached an agreement with the governing body of Formula 1 to hold the Mobil 1-Supercup in connection with the Grands Prix at least until 2011. The decision was made in summer 2009 to add two races to the Mobil 1-Supercup in connection with the Formula 1 Grand Prix in Abu Dhabi.

Success in the Carrera Cups as well: In Australia, Porsche proved its flexibility by combining the Carrera Cup Australia with the local GT3 Cup Challenge, which benefited both championships. The new GT3 Cup Challenge Deutschland was a complete success from the very start. In Turkey and the Middle East, Porsche pushed initiatives that will ensure that the number of such mass sport series will continue to grow in the coming year.

The success of the Porsche Cup racing series is based not only on the fascination of the 911, its clear sporting concept or the exceptional suitability of the Cups as a business platform for customer teams. It is also due to the high sporting status of these racing series. The fact that six of the current ten Company drivers began their careers in the Porsche-Mobil 1-Supercup or a Carrera Cup speaks for itself. Even in one of the toughest 24-hour races in the world, on the Nürburgring, nine of twelve drivers taking to the winners' podium began their careers in one of the Porsche Cups.


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Consolidated financial statements 2008/09

Consolidated income statement of the Porsche group for the period from 1 August 2008 to 31 July 2009

€ million	Note	2008/09	2007/08
Revenue	[1]	**57,081**	7,467
Changes in inventories and own work capitalized	[2]	**–1,107**	311
Total operating performance		**55,974**	7,778
Other operating income	[3]	**60,215**	19,773
Cost of materials	[4]	**–33,781**	–4,170
Personnel expenses	[5]	**–9,038**	–1,358
Amortization of intangible assets and depreciation of property, plant and equipment, leased assets and investment property	[14], [15], [17]	**–6,169**	–569
Other operating expenses	[6]	**–70,858**	–13,744
Profit/loss before financial result		**–3,657**	7,710
Profit/loss from investments accounted for at equity	[7]	**736**	1,007
Finance costs	[8]	**–2,054**	–548
Other financial result	[9]	**570**	400
Financial result		**–748**	859
Profit/loss before tax		**–4,405**	8,569
Income tax expense	[10]	**827**	–2,177
Profit/loss after tax (continuing operations)		**–3,578**	6,392
Profit after tax (discontinued operations)		**15**	0
Profit/loss after tax		**–3,563**	6,392
Thereof profit attributable to minority interests	[11]	**–1,142**	13
Thereof profit attributable to hybrid capital investors	[12]	**103**	88
Thereof profit attributable to shareholders of Porsche SE	[12]	**–2,524**	6,291
Earnings per ordinary share (basic)	[12]	**–14.45**	35.94
Earnings per preference share (basic)	[12]	**–14.45**	35.95
Earnings per ordinary share (diluted)	[12]	**–14.45**	35.94
Earnings per preference share (diluted)	[12]	**–14.45**	35.95
Earnings per ordinary share from discontinued operations (basic and diluted)	[12]	**0.03**	0.00
Earnings per preference share from discontinued operations (basic and diluted)	[12]	**0.03**	0.00

Consolidated balance sheet of the Porsche group as of 31 July 2009

	€ million	Note	31/7/2009	31/7/2008
Assets	Intangible assets	[14]	**32,666**	359
	Property, plant and equipment	[15]	**32,136**	1,668
	Investments accounted for at equity	[16]	**8,153**	8,130
	Other financial assets	[16]	**680**	64
	Leased assets	[17]	**11,040**	947
	Investment property	[17]	**391**	0
	Receivables from financial services	[20]	**34,520**	1,301
	Other receivables and assets	[21]	**3,495**	732
	Income tax assets	[22]	**848**	57
	Securities	[23]	**34**	1,021
	Deferred tax assets	[10]	**1,643**	95
	Non-current assets		**125,606**	14,374
	Inventories	[18]	**16,265**	757
	Trade receivables	[19]	**6,715**	268[1]
	Receivables from financial services	[20]	**27,632**	472
	Other receivables and assets	[21]	**7,819**	19,299
	Income tax assets	[22]	**1,089**	34
	Securities	[23]	**3,403**	3,383
	Cash and cash equivalents	[24]	**25,036**	6,990
	Current assets		**87,959**	31,203
			213,565	45,577
Equity and liabilities	Subscribed capital	[25]	**175**	175
	Capital reserves	[25]	**122**	122
	Retained earnings	[25]	**15,048**	14,769[1]
	Equity before minority interests	[25]	**15,345**	15,066
	Hybrid capital	[25]	**1,173**	1,780
	Minority interests	[25]	**31,961**	0
	Equity		**48,479**	16,846
	Provisions for pensions and similar obligations	[26]	**13,843**	777
	Income tax provisions	[27]	**3,778**	0
	Other provisions	[27]	**9,698**	650
	Deferred tax liabilities	[10]	**6,836**	1,015
	Financial liabilities	[29]	**49,904**	3,489
	Other liabilities	[30]	**3,074**	47
	Non-current liabilities		**87,133**	5,978
	Income tax provisions	[27]	**2,280**	2,008
	Other provisions	[27]	**9,743**	1,190
	Trade payables	[28]	**11,225**	586[1]
	Financial liabilities	[29]	**43,717**	12,897
	Income tax liabilities	[30]	**127**	22[1]
	Other liabilities	[30]	**10,861**	6,050[1]
	Current liabilities		**77,953**	22,753
			213,565	45,577

[1] restated (for additional explanations, please refer to the notes)

Consolidated statement of cash flows of the Porsche group for the period from 1 August 2008 to 31 July 2009

	€ million	**2008/09**	2007/08
1. Operating activities	Profit/loss after tax	**–3,563**	6,392
	Amortization and depreciation	**6,169**	569
	Change in provisions for pensions and similar obligations	**125**	60
	Change in other provisions	**–277**	64[1]
	Income tax expense	**1,188**	1,943[1]
	Change in deferred taxes	**–2,017**	237[1]
	Income taxes paid	**–2,212**	–834[1]
	Income taxes received	**392**	8[1]
	Gain/loss from disposal of intangible assets, property, plant and equipment, leased assets and investment property	**–26**	–78
	Gains/losses from the disposal of stock options	**–7,821**	–3,924[1]
	Non-cash expenses/income from market valuation of stock options	**10,283**	–2,910[1]
	Other non-cash expenses and income	**–1,012**	–936[1]
	Dividends received from investments accounted for at equity	**317**	160
	Change in inventories, trade receivables and other assets	**3,736**	–1,585[1]
	Change in trade payables and other liabilities (without tax provisions and other provisions)	**1,585**	126[1,2]
	Cash flow from operating activities	**6,867**	–708[1]
2. Investing activities	Cash received from disposal of intangible assets, property, plant and equipment, leased assets and investment property	**1,871**	417
	Cash received from the disposal of subsidiaries less cash funds sold	**1,343**	11
	Cash paid for investments in intangible assets and property, plant and equipment	**–4,635**	–784
	Cash paid for investments in leased assets and investment property	**–3,134**	–574
	Cash paid for investments in financial assets	**–1**	–22
	Cash paid for the acquisition of subsidiaries less cash funds received	**–6,360**	90
	Changes in stock options	**11,098**[2]	–3,824[1,2]
	Change in receivables from financial services	**–257**	–122
	Cash flow from investing activities before investments in securities and loans	**–75**	–4,808[1]
	Change in investments in securities and loans	**5,827**	–2,076
	Cash flow from investing activities	**5,752**	–6,884[1]

[1] restated (explanatory notes on the statement of cash flows are presented in note [13])

[2] contains the change in cash and cash equivalents that are not available for use by the group

[3] contains cash and cash equivalents of €1,750 million (prior year: €2,567 million) that are not available for use by the group

The statement of cash flows is explained in note [13].

	€ million	2008/09	2007/08
3. Financing activities	Cash paid to shareholders	**–472**	–384
	Cash paid to minority interests	**–617**	–1
	Cash paid for repayment of bonds	**–5,741**	0
	Cash paid to hybrid capital investors	**–103**	–79
	Cash paid/cash received for repayment/borrowing of loans	**–133**	9,952
	Capital contributions	**1**	959
	Cash received from the issue of bonds	**12,273**	0
	Cash received from other financial liabilities	**17**	99
	Cash paid for other financial liabilities	**–2**	0
	Capital transactions with minority interests	**–392**	0
	Cash flow from financing activities	**4,831**	10,546[1]
4. Cash funds	Change in cash funds (subtotal of 1 to 3)	**17,450**	2,954[1]
	Exchange-rate related change in cash funds	**152**	–11
	Cash funds as of 31 July 2008 and 31 July 2007	**4,423**	1,480[1]
	Cash funds as of 31 July 2009 and 31 July 2008	**22,025**	4,423[1]
Presentation of gross liquidity	Cash and cash equivalents	**25,036**	6,990
	Securities and loans	**3,437**	4,404
	Gross liquidity [3]	**28,473**	11,394

Statement of changes in equity of the Porsche group for the period from 1 August 2008 to 31 July 2009

€ million	Subscribed capital	Capital reserves	Retained earnings: Accumulated profit Revaluation reserve	Retained earnings: Other compreh. income: Securities marked to market	Retained earnings: Other compreh. income: Cash flow hedges
As of 31 July 2007	45	122	8,268[3]	42[3]	129[3]
Effects of currency translation					
Financial instruments pursuant to IAS 39				–51	585
Investments accounted for at equity					
Taxes recognized directly in equity				3	–175
Income and expenses recognized directly in equity	0	0	0	–48	410
Profit/loss after tax			6,291		
Total income and expenses for the period	0	0	6,291	–48	410
Capital increase from corporate funds	130		–130		
Increase of hybrid capital					
Transaction cost related to the increase of hybrid capital					
Profit/loss attributable to hybrid capital investors					
Dividends paid[1]			–384		
Other changes			4		
As of 31 July 2008	**175**	**122**	**14,049[3]**	**–6[3]**	**539[3]**
Effects of currency translation					
Financial instruments pursuant to IAS 39				**24**	**–414**
Investments accounted for at equity					
Taxes recognized directly in equity				**–1**	**118**
Income and expenses recognized directly in equity	**0**	**0**	**0**	**23**	**–296**
Profit/loss after tax			**–2,524**		
Total income and expenses for the period	**0**	**0**	**–2,524**	**23**	**–296**
Buyback of hybrid capital			**95**		
Profit/loss attributable to hybrid capital investors					
Dividends paid[2]			**–472**		
Effects from first-time consolidation			**3,508**		
Other changes			**–15**		
As of 31 July 2009	**175**	**122**	**14,641**	**17**	**243**

[1] distribution of a dividend (taking the stock split into account) of €0.694 + €1.50 per ordinary share; total €191,975,000
distribution of a dividend (taking the stock split into account) of €0.70 + €1.50 per preference share; total €192,500,000

[2] distribution of a dividend of €0.694 + €2.00 per ordinary share; total €235,725,000
distribution of a dividend of €0.70 + €2.00 per preference share; total €236,250,000

[3] restated (for additional explanations, please refer to note [25])

Currency translation	Investments accounted for at equity	Equity before minority interests	Hybrid capital	Minority interests	Group equity
51[3]	14[3]	8,671	810	0	9,481
−80[3]	−6[3]	−86			−86
	284[3]	818			818
	3[3]	3			3
	−79	−251	11		−240
−80	202	484	11	0	495
		6,291	87	13	6,391
−80	202	6,775	98	13	6,886
			1,000		1,000
			−41		−41
			−87		−87
		−384			−384
		4		−13	−9
−29[3]	**216[3]**	**15,066**	**1,780**	**0**	**16,846**
171	**34**	**205**		**345**	**550**
	−443	**−833**		**334**	**−499**
	43	**43**			**43**
	154	**271**	**13**	**−81**	**203**
171	**−212**	**−314**	**13**	**598**	**297**
		−2,524	**103**	**−1,142**	**−3,563**
171	**−212**	**−2,838**	**116**	**−544**	**−3,266**
		95	**−620**		**−525**
			−103		**−103**
		−472		**−617**	**−1,089**
		3,508		**33,472**	**36,980**
1		**−14**		**−350**	**−364**
143	**4**	**15,345**	**1,173**	**31,961**	**48,479**

Notes to the consolidated financial statements of the Porsche group as of 31 July 2009

Basis of presentation

Porsche Automobil Holding SE ("Porsche SE") is a European Company (Societas Europaea) and is headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. The business objective of Porsche SE is the management of companies and the administration of interests in companies, in particular companies active in the following business fields: the development, design, manufacture and distribution of vehicles and engines of all kinds and other technical products as well as of parts and components thereof. The company may engage in all kinds of business and take all measures that are related to the business purpose or that it deems directly or indirectly useful for achieving that purpose. This also includes financial services, consisting of financing, banking, leasing and insurance services particularly for customers and dealers.

The consolidated financial statements of Porsche SE as of 31 July 2009 were prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union. The standards published by the International Accounting Standards Board (IASB), London, that are applicable as of the balance sheet date as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that are valid for the fiscal year have been taken into account. The requirements of the standards and interpretations applied were satisfied in full. The financial statements thus give a true and fair view of the net assets, financial position and results of operations and cash flows of the Porsche group.

These consolidated financial statements comply with the requirements of Sec. 315a HGB ["Handelsgesetzbuch": German Commercial Code]. It represents the legal basis for group accounting according to international financial reporting standards in Germany in conjunction with EC Directive No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the adoption of international financial reporting standards.

The Porsche group's (Porsche SE and its subsidiaries) fiscal year is the period from 1 August of a year until 31 July of the following year. The group's presentation currency is the euro. Unless otherwise stated, all figures in the notes are presented in millions of euro (€million). In some instances, the composition of the individual items of the financial statements has been changed. The comparative information has been restated accordingly. The adjustments have been marked as such and explained. To improve comparability with previous consolidated financial statements, we have expanded the explanations on the assets and liabilities and on the income statement of the Porsche group to include the amounts which would have resulted had the Volkswagen subgroup (Volkswagen AG, Wolfsburg, and its subsidiaries) ("Porsche without VW") not been included. The amounts presented for comparison do not include effects arising from consolidation.

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

The consolidated financial statements and group management report of Porsche SE were released to the supervisory board by the executive board by resolution dated 19 October 2009.

The executive board of Porsche SE assumes that the basic agreement – which amongst other things requires certification by a notary to take effect – to be finalized in particular with Volkswagen AG and the ordinary shareholders of Porsche SE as well as the implementation of the individual steps for the merger of Porsche SE and Volkswagen AG will be effected in a timely manner as a prerequisite for achieving a significantly improved liquidity situation. The finalization of the basic agreement is also a prerequisite for the successful completion of current negotiations with the lending banks. If the steps involved in the merger of the two companies and thus the debt relief of Porsche SE do not take place as planned, this could once again lead Porsche SE into a critical liquidity situation by the end of 2009 which could put the ability of the company and the group to continue as a going concern at risk. Based on the current status of the negotiations, the executive board is, however, convinced that this risk will not occur.

Consolidated group

The consolidated financial statements of Porsche SE include all companies in which Porsche SE has the power to govern the financial and operating policy, either directly or indirectly, so as to obtain benefits from its activities (control concept). Initial consolidation is performed as of the date on which the acquirer obtains the possibility of control. A company is no longer consolidated upon cessation of control. Subsidiaries that are immaterial on a stand-alone basis and in total for a true and fair presentation of the net assets, financial position and results of operations are recognized at cost in the consolidated financial statements.

Significant companies where Porsche SE is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or directly or indirectly shares control (joint ventures), are accounted for using the equity method.

Joint ventures also include companies in which the Porsche group holds the majority of voting rights, but whose articles of association or partnership agreements stipulate that important decisions may only be made unanimously.

Bertrandt AG, Ehningen, is not accounted for at equity as no significant influence can be exercised on this company because the Porsche group is not represented on its executive board or supervisory board.

The number of companies included in the Porsche group is shown in the following table:

	2008/2009	2007/2008
Porsche SE and fully consolidated subsidiaries		
Germany	**84**	24
International	**353**	62
Subsidiaries carried at cost		
Germany	**57**	0
International	**82**	0
Associates and joint ventures		
Germany	**22**	1
International	**46**	0
	644	87

The consolidated financial statements and group management report prepared as of 31 July 2009 as well as the full list of shareholdings can be downloaded from the electronic version of the German business register at www.unternehmensregister.de.

With reference to Sec. 264b HGB, the financial statements of the following German subsidiaries are not published: Karosseriewerk Porsche GmbH & Co. KG, Porsche Financial Services GmbH & Co. KG, Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG and ING Leasing GmbH & Co. Fox OHG. If the conditions for exemption pursuant to Sec. 264 (3) HGB are effectively satisfied, the financial statements of the following German subsidiaries are not published: Dr. Ing. h.c. F. Porsche Aktiengesellschaft ("Porsche AG"), Porsche Nordamerika Holding GmbH, Porsche Engineering Services GmbH, Porsche Consulting GmbH, Porsche Financial Services GmbH, Porsche Zentrum Hoppegarten GmbH, PIKS Porsche-Information-Kommunikation-Services GmbH, Porsche Deutschland GmbH, Porsche Leipzig GmbH, Porsche Engineering Group GmbH, Porsche Dienstleistungs GmbH, Porsche Niederlassung Stuttgart GmbH, Porsche Niederlassung Mannheim GmbH, Porsche Niederlassung Berlin GmbH, Porsche Niederlassung Berlin-Potsdam GmbH, Porsche Zweite Vermögensverwaltung GmbH and Porsche Logistik GmbH.

In the period from 16 September 2008 to 5 January 2009, the Porsche group increased its investment in Volkswagen AG, Wolfsburg, Europe's largest vehicle manufacturer, in several tranches by a further 20.21%. Having reached a voting share of 50.76%, Porsche SE now owns the majority of voting rights in Volkswagen AG (control according to IAS 27). Since 5 January 2009, Volkswagen AG and its subsidiaries have therefore been consolidated as a subgroup in the consolidated financial statements of Porsche SE. The Volkswagen group operates in the automobile and commercial vehicle production sector and the related financial services sector and has a large number of production facilities worldwide.

When the reporting date of a subsidiary is different from that of the parent company, IAS 27.26 et seq. (rev. 2004) allows the use of financial statements of the subsidiary as of a different reporting date in the preparation of consolidated financial statements if it is not practicable for the subsidiary to prepare interim financial statements as of the reporting date of the parent company. Applying this exception, the Volkswagen group has been consolidated in the consolidated financial statements of Porsche SE as of 31 July 2009 on the basis of the figures for the period from 5 January 2009 to 30 June 2009. Due to extensive accounting activities for preparing the half-yearly financial report 2009 for the Volkswagen group, the quality of data needed for external reporting purposes for July 2009 was not available in time. Matters of relevance for the consolidation were considered until 31 July 2009. There were no significant transactions or events between 30 June 2009 and 31 July 2009 which would have resulted in any further adjustment of the balance sheet figures of the Volkswagen group and to a change in the income statement.

The cost of the business combination amounted to €23.0 billion, including all costs directly attributable to the acquisition. Of this total amount, €21.6 billion was paid in cash and cash equivalents, the rest by using equity forward transactions. Cash and cash equivalents of €9.5 billion were acquired in the course of the business combination.

Due to the size and complexity of the Volkswagen group, the process of determining the fair values of the assets and liabilities acquired for the purchase price allocation requires thorough investigation and has not yet been finalized. The Volkswagen group has therefore been included in the consolidated financial statements of Porsche SE using provisional figures. The initial accounting of the assets and liabilities included in the consolidated financial statements has been determined provisionally. If necessary, the figures will be adjusted after the completion of the purchase price allocation. Goodwill has, therefore, also only been determined provisionally.

The table below shows the provisional figures of the assets and liabilities included in the consolidated financial statements.

€ million	Carrying amount on acquisition acc. to IFRS	Purchase price allocation (provisional)	Amounts recognized in the consolidated financial statements (provisional)
Intangible assets[1]	12,291	12,539	**24,830**
Property, plant and equipment and leased assets	33,010	6,924	**39,934**
Non-current receivables from financial services	31,855	341	**32,196**
Investments accounted for at equity	6,373	1,888	**8,261**
Other non-current assets	8,227	249	**8,476**
Inventories	17,816	536	**18,352**
Current receivables from financial services	27,035	169	**27,204**
Other current assets	31,312	999	**32,311**
Total assets	**167,919**	**23,645**	**191,564**
Non-current financial liabilities	33,257	61	**33,318**
Provision for pensions and other non-current liabilities	32,472	6,035	**38,507**
Current financial liabilities	36,123	31	**36,154**
Other current liabilities	28,679	66	**28,745**
Total liabilities	**130,531**	**6,193**	**136,724**

[1] Including goodwill of €2,771 million recognized in the Volkswagen consolidated financial statements and eliminated within capital consolidation; excluding the provisionally determined goodwill at the level of Porsche SE.

Other current assets and current liabilities contain discontinued operations with a carrying amount of €1,007 million and €766 million respectively as of the acquisition date. All effects from the purchase price allocation in other current assets and liabilities relate to discontinued operations.

The provisionally determined goodwill of €10.4 billion comprises intangible assets that are not separable such as employee know-how and synergy effects. Of this provisionally determined goodwill, an amount of €9.9 billion was allocated to the Volkswagen subgroup.

Since its initial consolidation, Volkswagen AG and its subsidiaries have contributed an amount of €-1,703 million to consolidated net income. This amount breaks down as follows:

€ million	2008/09
Profit of Volkswagen subgroup	494
Development of hidden reserves and liabilities from purchase price allocation	–2,320
Adjustment of the effect on net income of income and expenses that had been recognized directly in equity prior to initial consolidation	–755
Other	–8
Adjustment of current and deferred taxes	886
Contribution of Volkswagen subgroup to consolidated net income	**–1,703**

Had the Volkswagen group already been included in the consolidated financial statements of Porsche SE as of 1 August 2008, group revenue would amount to around €113.8 billion and the group profit after tax would amount to around €-1.8 billion, without taking into account effects from the purchase price allocation before initial consolidation. It was not possible to reliably determine the effects of the purchase price allocation before the initial consolidation.

In the course of the business combination with Volkswagen, the Porsche group acquired an equity investment in Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda. Resende, Brazil solely with a view to resale. The sale of the investment was finalized in March 2009. The total disposal consideration of €1,352 million was entirely settled in cash. The assets disposed of contained cash and cash equivalents of €11 million. Revenue from ordinary activities between the date of initial consolidation of the Volkswagen group and the date of disposal amounted to €259 million and expenses (including taxes of €7 million) to €244 million. In the consolidated income statement, they are presented as profit from discontinued operations. No gain or loss was recognized on sale as the assets and liabilities of the company had already been recognized at fair values in the course of the purchase price allocation for the Volkswagen group at acquisition date. The carrying amounts of the assets and liabilities which were sold in connection with the disposal of the equity investment can be broken down by main group as follows:

€ million	Carrying amount
Non-current assets	**1,375**
Current assets	**795**
Provisions	**241**
Financial liabilities	**185**
Other liabilities	**256**

Investments in associates
Before its initial consolidation, Volkswagen AG, Wolfsburg, was included in the consolidated financial statements as an associate. As of 31 July 2008, the fair value of the investment in Volkswagen AG amounted to €17,501 million.

Since the business combination with Volkswagen AG, the Porsche group also has a significant influence over MAN AG, Munich. As of the balance sheet date, the investment amounts to 29.9% of the voting rights and 28.7% of the subscribed capital of MAN AG. MAN AG has been included on the basis of the figures for the period from 5 January 2009 to 30 June 2009. On 30 June 2009, the fair value of the investment in MAN AG amounted to €1,838 million.

The following carrying amounts are attributable to the Porsche group from its interest in MAN AG and Volkswagen AG (in fiscal year 2008/09, Volkswagen AG was considered in revenue and profit for the period from 1 July 2008 until initial consolidation; the prior-year figures result from the period between 1 July 2007 and 30 June 2008):

€ million	**2008/09**	2007/08
Non-current assets	**2,083**	17,534
Current assets	**2,596**	17,252
Non-current liabilities	**1,302**	13,594
Current liabilities	**1,855**	13,241
Revenue	**19,025**	24,833
Profit	**458**	1,007
Share of discontinued operations	**36**	0

Interests in joint ventures
Since the initial consolidation of the Volkswagen group, the main joint ventures of the Porsche group are the investments held in Shanghai-Volkswagen Automotive Company Ltd., Shanghai, China (“SVW”), in FAW-Volkswagen Automotive Company Ltd., Changchun, China (“FAW”) and Global Mobility Holding B.V., Amsterdam, Netherlands as the holding company of LeasePlan N.V., Amsterdam, Netherlands (“LeasePlan”). The joint ventures have been considered on the basis of the figures for the period from 5 January to 30 June 2009.

The Chinese market is supplied with products of the Volkswagen subgroup through the investment in SVW and FAW.

Through its investment in LeasePlan, the group secures influence on Europe's market leader in fleet and vehicle management.

Based on the proportionate interest in the joint ventures, the following figures are attributable to the Porsche group.

€ million	2008/09
Non-current assets	**8,384**
Current assets	**7,587**
Non-current liabilities	**5,932**
Current liabilities	**6,920**
Income	**5,101**
Expenses	**4,804**

Consolidation principles

The financial statements of the subsidiaries (with the exception of the companies belonging to the Volkswagen subgroup) are prepared as of the balance sheet date of the consolidated financial statements, which is the balance sheet date of Porsche SE.

Business combinations are accounted for by applying the purchase method pursuant to IFRS 3 (revised 2004) ("Business Combinations").

Purchased assets and liabilities are measured at their fair value on the acquisition date. The acquisition costs of the shares acquired are then offset against pro rata revalued equity of the subsidiary.

In a business combination achieved in stages, each exchange transaction is accounted for separately, i.e. for each transaction; the acquisition cost of the share purchase is compared with the relevant share in the identifiable net assets determined at the acquisition date. Any remaining positive difference from offsetting the acquisition cost against the identified assets and liabilities at the date of acquisition is recognized as goodwill within intangible assets. If in a business combination achieved in stages shares of the acquired subsidiary held before initial consolidation, the changes in hidden reserves and hidden liabilities attributable to these shares for the period between share purchase and initial consolidation are recorded in retained earnings in accordance with IFRS 3 (rev. 2004).

To the extent that the cost of the business combination falls short of the identified assets, liabilities and contingent liabilities, the identified assets, liabilities and contingent liabilities as well as the acquisition costs are reassessed and recognized immediately in profit or loss in the year of acquisition of the equity investment.

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.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences (including unamortized goodwill) is recognized in profit or loss when control is lost.

Intragroup expenses and income as well as receivables, liabilities and provisions are eliminated. Intercompany profits from the sale of assets within the group which have not yet been resold to third parties are eliminated. Deferred taxes are recognized for intragroup transactions that affect income taxes. In addition, guarantees and warranties assumed by Porsche SE or one of its consolidated subsidiaries in favor of other consolidated subsidiaries are eliminated.

Investments accounted for at equity are carried at cost at the time of initial consolidation. The consolidation procedures generally apply by analogy to measurement using the equity method. Any goodwill that arises as part of the investment carrying amount is not presented separately. In subsequent periods, the carrying amount is changed to reflect the Porsche group's share of changes in equity of the associate. An impairment test is made whenever there is any indication that the entire carrying amount of the investment is impaired. At least once a year, an assessment is made whether there is any indication that the reason for an impairment no longer exists or an impairment amount has decreased. If this is the case, the recoverable amount is recalculated and the impairment that no longer exists is reversed.

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 closing rate. Non-monetary items denominated in a foreign currency measured at historical cost are translated using the exchange rate at 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 balance sheet date are recorded in profit or loss.

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 financial statements of consolidated subsidiaries prepared in a foreign currency are translated to the euro in accordance with IAS 21. The functional currency of the company being 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 as of the balance sheet 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 average exchange rates. Exchange rate differences resulting from the translation of financial statements are recognized as a separate component directly to equity until the disposal of the subsidiary.

Due to the different reporting date, the Volkswagen subgroup uses closing rates as of 30 June and average rates for the period between the initial consolidation and 30 June 2009. The foreign currency rates applied are presented in the following table.

	1€=	Balance sheet Closing rate VW subgroup 31/7/2009	30/6/2009	31/7/2008	Income statement Average rate VW subgroup 2008/09	5/1-30/6	2007/08
Argentina	ARS	**5.4134**	**5.3547**	n/a[1]	**4.7307**	**5.2763**	n/a[1]
Australia	AUD	**1.7057**	**1.7359**	1.6562	**1.8623**	**1.7463**	1.6450
Brazil	BRL	**2.6482**	**2.7469**	n/a[1]	**2.8694**	**2.7391**	n/a[1]
Canada	CAD	**1.5238**	**1.6275**	1.6090	**1.5908**	**1.5761**	1.4986
China	CNY	**9.6568**	**9.6545**	10.7217	**9.2819**	**9.5786**	10.7253
Czech Republic	CZK	**25.5730**	**25.8820**	23.9971	**26.1425**	**26.5446**	25.8436
Hong Kong	HKD	**10.9589**	**10.9540**	12.2412	**10.5380**	**10.8638**	11.6000
India	INR	**67.9500**	**67.5180**	n/a[1]	**66.3285**	**66.9191**	n/a[1]
Japan	JPY	**135.4500**	**135.5100**	168.8800	**132.8275**	**135.3918**	161.8668
Mexico	MXN	**18.6678**	**18.5537**	n/a[1]	**17.6513**	**18.6813**	n/a[1]
Poland	PLN	**4.1590**	**4.4520**	n/a[1]	**4.0957**	**4.5084**	n/a[1]
Republic of Korea	KRW	**1,728.7100**	**1,802.4300**	n/a[1]	**1,765.1992**	**1,768.7968**	n/a[1]
Russia	RUB	**44.5400**	**43.8810**	36.6501	**40.7650**	**43.5553**	36.1415
South Africa	ZAR	**11.0368**	**10.8853**	11.5383	**12.2787**	**11.2718**	n/a[1]
Sweden	SEK	**10.3358**	**10.8125**	9.4634	**10.4848**	**10.8713**	n/a[1]
Switzerland	CHF	**1.5320**	**1.5265**	1.6338	**1.5283**	**1.5148**	1.6266
United Kingdom	GBP	**0.8554**	**0.8521**	0.7886	**0.8615**	**0.8567**	0.7446
USA	USD	**1.4139**	**1.4134**	1.5684	**1.3580**	**1.4017**	1.4886

[1] not relevant for the Porsche group as of 31 July 2008

Accounting policies

The assets and liabilities of Porsche SE and the consolidated German and foreign subsidiaries included are accounted for using uniform accounting policies applicable within the Porsche group. The comparative information for the fiscal year 2007/08 is based on the same accounting policies as for the fiscal year 2008/09. Where changes were made, the effect is explained in the notes.

With the exception of certain items such as derivative financial instruments and available-for-sale financial assets, the consolidated financial statements are prepared using the historical cost principle. The measurement principles used are described below in detail.

Intangible assets

Intangible assets acquired separately are recognized at cost in accordance with IAS 38. The cost of intangible assets acquired as part of a business combination is fair value as at the date of acquisition.

Intangible assets acquired separately 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 each balance sheet date. If adjustments are made, these are accounted for as changes in estimates.

Goodwill and intangible assets with indefinite useful lives are not amortized. Each asset or cash-generating unit is tested at least once a year for impairment. 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 attributed reliably and all other recognition criteria of IAS 38 are met. The capitalized development costs include all costs and overhead expenditure directly attributable to the development process that is incurred after the point in time at which all recognition criteria are met. Capitalized development costs are amortized beginning at start of production using the straight-line method over the expected useful life of the product, usually five to ten years. Research and non-capitalizable development costs are expensed as incurred.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less depreciation over the useful life of the assets and impairment losses. The cost of items of property, plant and equipment acquired as part of a business combination is fair value as at the date of acquisition. Self-constructed items of property, plant and equipment are recognized at cost. Cost is determined on the basis of the direct and indirect production-related costs that are directly attributable. Investment grants are generally deducted from cost. Costs for repairs and maintenance are recognized as an expense.

Depreciation, which is charged on a straight-line basis in general, reflects the pattern of the assets expected utility to the company. For equipment used in shift operations, increased depreciation rates are applied.

Depreciation is based on the following useful lives:

	Years
Buildings	25 to 50
Technical equipment and machinery	6 to 20
Other equipment, furniture and fixtures	3 to 15

Residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Leases
Whether an arrangement is, or contains a lease, is determined on the basis of the economic substance of the arrangement at its inception date and requires an assessment whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment after the inception of the lease is only performed under the conditions set forth in IFRIC 4.

<u>Operating leases</u>

Leases under which substantially all the risks and rewards incidental to ownership of the asset are not transferred to the lessee are classified as operating leases.

Assets leased under operating leases in which the Porsche group is lessor are presented in fixed assets. Most of the operating leases are for vehicles leased from the group's leasing companies. Leased vehicles are recognized at cost and depreciated on a straight-line basis over the term of the lease to the lower of estimated residual value and fair value.

Where group companies are the lessee in operating leases, i.e. when not all significant risks and rewards have been transferred incidental to ownership, lease or rental payments are recognized as an expense in the income statement.

<u>Finance leases</u>

A lease is classified as a finance lease if substantially all risks and rewards incidental to ownership are transferred to the lessee.

When using items of property, plant and equipment as lessee under a finance lease, the individual assets and liabilities resulting from the lease are recognized at fair value or, if lower, the present value of the minimum lease payments. Items of property, plant and equipment are depreciated on a straight-line basis over the economic useful life or the term of the lease, if shorter.

Where group companies are the lessor under finance leases, receivables are initially recognized at an amount equal to the net investment.

Borrowing cost
Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of that asset. In the fiscal year 2008/09, borrowing costs of €0.6 million were capitalized for the first time, assuming a borrowing cost rate of 4.4%.

Impairment test
An impairment test is performed at least once a year for goodwill, capitalized costs for products under development and intangible assets with an indefinite useful live. For intangible assets with finite useful lives, property, plant and equipment as well as investments accounted for at equity an impairment test is performed when there is an indication that the asset may be impaired.

An impairment is recognized in the effect income statement in the item “amortization and depreciation of intangible assets, property, plant and equipment, leased assets and investment property” if the recoverable amount of the asset is lower than its carrying amount. The recoverable amount is generally determined separately for each asset. The recoverable amount is the higher of fair value less costs to sell and value in use. If it is not possible to determine the recoverable amount for an individual asset, it is determined on the basis of a group of assets that constitutes a cash-generating unit. To determine whether goodwill is impaired, the segments of the Porsche group are used in general as a cash-generating unit. The impairment test of recognized brands is based on the data of the relevant brand organizations. In the case of other intangible assets and property, plant and equipment, the product or model series is used to determine the cash-generating units.

The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal. Costs to sell are incremental costs incurred to sell the asset or cash-generating unit. 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 which allocated to the Volkswagen subgroup is impaired, a calculation based on value in use was applied. The calculation was based on a current forecast prepared by management including their assumptions about growth and the average EBIT margin, covering a period of five years. It takes into account the current uncertainty about the effects of the financial crisis on the automotive sector and a recovery within the planning period. To calculate the terminal value, the cash flow is extrapolated taking into account the expected growth rates and profitability. The calculation is based on a discount rate of 7.6% and a growth rate of 1.0%. The growth rate is based on the circumstances specific to the industry and considers the specific price and cost situation. The discount rate was determined on the basis of the weighted capital costs of a peer group of listed automotive companies with a similar risk structure. Even omitting growth when calculating the terminal value or reducing the EBIT margin applied by 15% would not lead to an impairment of the goodwill.

The impairment testing of the goodwill allocated to the Porsche subgroup is based on fair value less costs to sell. The calculation is based on the value of Porsche AG as a whole stated in the comprehensive agreement of €12.4 billion. This figure serves as the best indicator of fair value.

The impairment test of recognized brands in the consolidated financial statements of Porsche SE is also based on fair value less costs to sell. The calculations are made by applying the relief from royalty method (brand equity approach) using a planning period of five years and an assumed growth rate of 0.75%. This growth rate is based on the circumstances specific to the industry and the specific price and cost situation. The sensitivity analysis has shown that even without assuming growth in the terminal value, the brand values are not impaired.

The assumptions described above are adjusted to reflect the current information available taking assumptions on macro-economic trends as well as historical developments into account.

When determining the value in use for the impairment test of other intangible assets and property, plant and equipment, local discount rates of at least 8.7% to 9.8% (prior year: 9.1%) have been used.

If the reasons for impairments charged in prior years no longer exist, the impairments are reversed up to the recoverable amount (with the exception of goodwill). The amount reversed cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

Investment property

Investment property held to generate rental income is accounted for at amortized cost. The underlying useful lives and depreciation methods correspond to those used for items of property, plant and equipment used by the group. Due to the measurement at amortized cost, the fair values of the investment property must be disclosed in the notes to the consolidated financial statements. An income capitalization approach is used to calculate the fair value of each building by determining the income value based on gross income taking other factors such as land value, remaining useful lives and a multiplier specific to residential property into account. Group calculations take account of market information.

Other receivables and financial assets

Other receivables and financial assets (excluding derivative financial instruments) are accounted for at amortized cost. Appropriate allowance is made for known individual risks and general credit risks.

Inventories

Inventories include raw material, 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 balance sheet date.

In addition to costs directly attributable, costs of conversion include an appropriate portion of incurred materials and production overheads as well as production-related depreciation and other directly attributable costs.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

Long-term development contracts

Future receivables from long-term development 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). If the result of a development 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 development contracts are recognized as an asset as future receivables from long-term development contracts under trade receivables. Any negative balance is reported under trade payables. The principle of measuring assets at the lower of carrying amount and net realizable value is observed.

Financial instruments

According to IAS 39, a financial instrument is any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity. If the trade date of a financial asset differs from the settlement date, it is initially accounted for at the settlement date. Initial measurement of a financial instrument is at cost including transaction costs. Subsequent measurement of financial instruments is either at fair value or amortized cost.

With respect to measurement, IAS 39 distinguishes between the following categories of financial assets:
– Financial assets at fair value through profit or loss (FVtPL) and held-for-trading (HfT)
– Held-to-maturity investments (HtM)
– Available-for-sale financial assets (AfS) and
– Loans and receivables (LaR).

By contrast, financial liabilities are divided into the two categories:
– Financial liabilities at fair value through profit or loss (FVtPL) and held-for-trading (HfT) and
– Financial liabilities measured at amortized cost (FLAC).

Depending on the category, measurement of financial instruments is either at fair value or amortized cost.

Fair value corresponds to market price provided the financial instruments measured are traded on an active market. If there is no active market for a financial instrument, fair value is calculated using appropriate valuation techniques such as generally accepted option price models or discounting future cash flows with the market interest rate, or by referring to the most recent business transactions between knowledgeable, willing and independent business partners for one and the same financial instrument, if necessary confirmed by the banks processing the transactions. Amortized cost corresponds to costs less redemption, impairment losses and the release of any difference between costs and the amount repayable upon maturity calculated by applying the effective interest method. Financial instruments are recognized as soon as Porsche becomes a party to the contractual provisions of the financial instrument. They are generally derecognized when the contractual right to the cash flows expires or this right is transferred to a third party.

Non-derivative financial instruments

Financial instruments accounted for at fair value include securities held-for-trading and financial assets recognized at fair value through profit or loss. Gains and losses from subsequent measurement are recognized in profit or loss. The financial assets recognized at fair value through profit or loss represents index certificates. The classification in this category reflects the risk management and investment strategy.

Financial instruments held to maturity are accounted for at amortized cost. Gains and losses from the subsequent measurement are recognized in profit or loss.

Financial instruments available for sale are measured at fair value. Non-derivative financial assets are allocated to this category that is classified as available for sale and that cannot be allocated to any other category. Unrealized gains and losses from subsequent measurement are recognized in equity after considering deferred taxes until the securities are derecognized or an objective impairment occurs. Investments presented as non-current financial assets that are not accounted for at equity also constitute available-for-sale financial instruments and are generally measured at fair value. If, however, no active market exists and fair value cannot be reliably estimated, they are measured at cost.

Loans and receivables originated by the entity, held-to-maturity financial instruments and financial liabilities are measured at amortized cost unless they are related to hedging instruments. In particular, these include trade receivables and payables, receivables from financial services, other financial receivables, financial liabilities and other financial liabilities. The financial receivables and liabilities related to fair value hedge accounting are accounted for at fair value with respect to the hedged risk.

Financial assets are subject to an impairment test if there is an indication that the asset is permanently impaired. An impairment loss is immediately recorded as an expense.

Specific and portfolio-based valuation allowances are recognized for the risk of default inherent in receivables and loans from financial.

For significant individual receivables (for example receivables from dealer financing or from fleet customers). Specific valuation allowances are recognized in accordance with group-wide standards for the amount of incurred losses. Indicators of a potential impairment include delayed payments over a certain period of time, 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.

In the case of non-significant receivables (such as receivables from customer financing), a generalized procedure is used to calculate the specific valuation allowances after the impairment has been identified.

Portfolio-based valuation allowances are recognized by grouping together non-significant receivables and significant individual receivables for which there is no indication of impairment into homogeneous portfolios on the basis of comparable credit risk features and allocating them by risk class. As long as no definite information is available about which receivable is in default, average historical default probabilities for the portfolio concerned are used to calculate the amount of the valuation allowances.

As a matter of principle, specific valuation allowances are recognized for receivables in the automotive sector.

Allowances are generally recognized in separate allowance accounts.

An impairment loss is recognized on available-for-sale financial assets if there is objective evidence of permanent impairment. In the case of equity instruments, evidence of impairment is taken to exist, among other things, if the fair value decreases significantly below cost or the decrease in fair value is prolonged. Any loss previously recognized in equity for available-for-sale securities is recognized in profit or loss when the impairment is permanent. Any increase in the value of debt securities at a later date is accounted as a reversal of the impairment loss recognized in profit or loss. In the case of equity instruments, reversals of impairment losses are recognized in equity.

Derivative financial instruments

Derivative financial instruments held by the Porsche group primarily relate to foreign currency forwards and options, swaps, interest derivatives, commodity futures and stock options. They are used to hedge interest and currency risks from existing balance sheet items or highly probable forecast transactions as well as to secure commodity and stock prices. Derivative financial instruments are generally valued at fair value through profit or loss. As soon as the criteria of IAS 39 for hedge accounting are satisfied, the derivative financial instruments are designated either as fair value or cash flow hedges. Otherwise, they are allocated to the category financial assets or liabilities held for trading.

A fair value hedge hedges the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment. Gains or losses arising from marking derivative financial instruments to market and the secured portion of the risk of the hedged transaction are recognized in profit or loss. If the fair value hedge ends, the adjustment of the carrying amount from the fair value hedge accounting of financial instruments measured at amortized cost is released to profit or loss over the remaining term of the hedged transaction.

In the case of fair value portfolio hedges performed, the accounting for changes in fair value corresponds to the accounting for fair value hedges. Gains or losses from changes in measurement are recognized in the income statement.

A cash flow hedge is used to hedge highly probable future cash flows. Hedges are only included in hedge accounting to the extent that they offset changes in the value of the cash flows of the hedged transaction. When included in cash flow hedge accounting, changes in are recorded directly in other comprehensive income, taking deferred taxes into account. When the hedged transaction occurs, the change in value is reclassified from other comprehensive income to profit or loss. As a result of harmonizing the accounting policies with those of the Volkswagen group, such reclassifications are presented in the income statement in other operating income or expenses.

The stock options held by Porsche generally are not traded on a public market. In such cases, IAS 39.48 et seq. requires that a suitable valuation technique or recent transaction be used for measurement purposes. As a large volume of the stock options were sold shortly after the balance sheet date, Porsche assumes that this sales price was the best estimate for fair value at the balance sheet date.

Cash and cash equivalents

The cash and cash equivalents include checks, cash on hand and at banks. This item also includes cash and cash equivalents that are not available for use by the Porsche group.

Deferred taxes

Deferred tax assets are generally recognized for deductible temporary differences between the tax base and carrying amounts in the consolidated balance sheet as well as on unused tax losses 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 balance sheet (temporary concept). Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures are not recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Valuation allowances are recognized on deferred tax assets that are unlikely to be realized in a clearly predictable period. A previously unrecognized deferred tax asset is reassessed and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred taxes are measured on the basis of the tax rates that apply or that are expected to apply based on the current legislation in the individual countries at the time of realization. Deferred taxes are not discounted. Deferred taxes referring to items recognized directly in equity are presented in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current taxes
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The recognized tax asset arising from the claim for payment of corporate income taxes is discounted using a risk-free interest rate that matches the timing of the cash flows. The tax rates and tax laws applied for measurement are those that are enacted or substantively enacted by the balance sheet date. Adequate provisions was recognized for future probable tax liabilities, considering a large number of factors such as interpretations, commentaries and jurisdiction on the pertinent tax legislation as well as past experience.

Current tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Discontinued operations and non-current assets held for sale
Discontinued operations are components of an entity that have either been disposed of or are classified as held for sale and which represent a separate major line of business or geographical area of operations, are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or are a subsidiary acquired exclusively with a view to resale. Under IFRS 5, discontinued operations which are disposed of from the consolidated group are presented separately. The income and expenses arising prior to disposal and the gain on sale are disclosed separately in the income statement as profit from discontinued operations after the profit from continuing operations. The comparative information in the income statement is restated accordingly. Under IFRS 5, non-current assets or groups of assets and liabilities are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such assets are carried at the lower of their carrying amount and fair value less costs to sell, and are presented separately in current assets and liabilities in the balance sheet.

Hybrid capital
Provided the bond conditions of the hybrid capital issued satisfy the criteria, hybrid capital is accounted for as an equity instrument of the group in accordance with IAS 32. If the hybrid capital is classified as equity, the deductible interest is not presented as interest expenses but accounted for corresponding to the accounting for dividends to the shareholders. Any transaction costs are deducted from the hybrid capital, taking tax effects into account.

If classified as a debt instrument, hybrid capital is presented under bonds. Interest is included in interest and similar expenses.

Provisions for pensions and similar obligations
In accordance with IAS 19, the actuarial measurement of pension obligations arising from defined benefit plans is based on the projected unit credit method. This method considers not only the pension payments and the future claims known on the balance sheet date but also future anticipated increases in salaries and pensions. If pension obligations are funded by plan assets the obligation and the assets are offset. The calculation is based on actuarial expert opinions taking into account biometric assumptions. The company applies the corridor method to measure the pension obligations and determine the pension cost. Actuarial gains and losses are not accounted for to the extent they do not exceed ten percent of the defined benefit obligation or ten percent of the fair value of the plan assets. The amount exceeding the corridor is recognized by allocation to the average remaining working lives of the employees. Past service cost is recognized on a straight-line basis over the average period until the benefits become vested to the extent that the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately in profit or loss. Service cost is presented as personnel expense while the interest expense of the obligation and return on plan assets is presented in the financial result. The interest rate used to discount provisions is determined on the basis of the return on long-term high-quality corporate bonds at the balance sheet date.

Other provisions
Other provisions are recognized if a past event has led to a current legal or constructive obligation to third parties which is expected to lead to a future outflow of resources that can be estimated reliably. Provisions for warranty claims are recognized taking account of the past or estimated future claims pattern. Non-current provisions are stated at their present value at the balance sheet date. The present value also includes the estimated cost increases. The interest rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The expense resulting from the unwinding of the interest rate is recognized in finance cost. 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 Porsche group will receive the reimbursement when it settles the obligation. Provisions resulting from insurance contracts are accounted for in accordance with the provisions of IFRS 4. Reinsurance acceptances are accounted for on an accrual basis. Accruals are not presented as provisions, but under trade payables or other liabilities, based on their nature.

Liabilities
Non-current liabilities are carried at amortized cost in the balance sheet. Differences between their historical cost and their repayment amount are accounted for using the effective interest method.

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 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.

Income from assets for which a group entity has a buy-back obligation cannot be realized until the assets have definitely 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. Prior to that time, the assets are accounted for as inventories.

Revenue from receivables from financial services is realized using the effective interest method.

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, loans in the financial services sector are issued at below market interest rates to promote sales of new vehicles, revenue is reduced by the incentive arising from the loan.

In case of long-term development contracts revenue is recognized in accordance with the percentage of completion method.

Interest income is recognized when interest accrues.

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

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.

Provisions for warranty claims are recognized upon sale of the related products. Interest expenses incurred for financial services are presented as cost of materials.

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 Porsche 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 not probable or the amount of the obligation cannot be measured with sufficient reliability.

Put options of minority interests

Where minority shareholders have put options on their interest, shares of the total profit of the period attributable to minority interests as well as dividend payments to and withdrawals by minority shareholders are presented as a change in equity. However as of the balance sheet date, a liability needed to settle the option is recognized and the difference between this liability and the pro rata equity of the minority shareholder is recognized in equity. Deferred taxes are recognized for temporary differences for partnerships between the IFRS balance sheet carrying and the tax base amount.

Significant accounting judgements and estimates

The preparation of consolidated financial statements requires certain judgements and estimates that have an effect on recognition, measurement, presentation and disclosure of assets, liabilities, income and expenses as well as contingent assets and liabilities. These judgement and estimates reflect the current status of knowledge. Key sources of estimations are the measurement of the impairment of intangible assets and property, plant and equipment, the determination of useful lives and depreciation methods for fixed assets, the measurement of impairments and reversals of impairments of associates and joint ventures, the measurement of derivative financial instruments, the recoverability of receivables and the measurement of provisions. In individual cases, amounts realized may differ from the estimates. The carrying amounts of the assets and liabilities affected by estimates can be seen in the breakdowns of the individual balance sheet items.

The main issues requiring judgements are the classification of financial instruments, determining the starting point for the recognition of development costs as an asset, the classification of leases as operating or finance leases, deciding which indicators are indicative of an impairment of items of property, plant and equipment, associates and joint ventures and the recognition of provisions.

The judgements and estimates are based on assumptions that are derived from the current information available. In particular, the circumstances given when preparing the consolidated financial statements and assumptions as to the expected future development of the global and industry environment were used to estimate the company's future business performance. Where these assumptions turn out differently than expected, and are beyond the control of management, the figures realized may differ from those anticipated. In such cases, the assumptions, and if necessary the carrying amounts of the assets and liabilities concerned, are adjusted accordingly.

The judgements and estimates made when preparing the consolidated financial statements were subject to a high degree of uncertainty due to the uncertain economic climate. Factors which may cause variances from judgements and estimates include new information about the buying behavior on the sales markets and in response to this changes in planning, dependency on suppliers, in particular exclusive suppliers, developments in share prices and exchange rates, interest rates and the price of raw materials as well as environmental or other legal provisions. Prior to the date of authorization of the financial statements by the executive board for issue to the supervisory board, there were no indications that the carrying values of the assets and liabilities presented in the consolidated balance sheet would require any significant adjustment in the following reporting period. Judgements and estimates by management included assumptions contained in the forecast report.

New accounting standards

a) The group has adopted the following new and revised IFRSs and interpretations during the fiscal year for the first time:

IFRS 8 "Operating Segments"

IFRS 8 regulates the financial information which an entity has to report about its operating segments. IFRS 8 replaces IAS 14 "Segment Reporting" and is subject to mandatory adoption for the first time in fiscal years beginning on or after 1 January 2009. The Porsche group has early adopted IFRS 8 for the 2008/09 consolidated financial statements. As a result, the segment reporting has been reclassified. Based on the management approach, the Porsche group has two reportable segments. Assets, revenue and expenses that cannot be allocated to the operating segments and the consolidation are presented in reconciliation statements.

Amendment to IAS 23 "Borrowing Costs"

The amendment requires the recognition of borrowing costs which can be allocated directly to the acquisition, construction or production of a qualifying asset. The option for the immediate recognition of borrowing costs in profit or loss is no longer applicable. The amendment is applicable for reporting periods beginning on or after 1 January 2009. The Porsche group early adopted this amendment as of 1 February 2009. In the fiscal year 2008/09, borrowing costs of €0.6 million were recognized as an asset. A borrowing cost rate of 4.4% was applied in the calculation.

b) The following new or revised standards and interpretations which were adopted for first time in the fiscal year had no material effect on the consolidated financial statements

Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”
The amendments allow entities to reclassify certain financial instruments from the category “at fair value through profit or loss” to another category in which they are measured at amortized cost taking impairments into account. These amendments were applied retrospectively from 1 August 2008.

IFRIC 12 “Service Concession Arrangements”
IFRIC 12 gives guidance on how operators under service concession arrangements have to apply existing IFRSs in order to recognize the obligations entered into and the rights received under these agreements. IFRIC 12 is mandatory for the first time for reporting periods beginning on or after 1 January 2008.

IFRIC 13 “Customer Loyalty Programmes”
IFRIC 13 determines the accounting of customer bonus programs which are run by manufacturers or service providers themselves or by third parties. IFRIC 13 is applicable for reporting periods beginning on or after 1 July 2008.

IFRIC 14 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”
IFRIC 14 deals with the interaction between an obligation existing at the balance sheet date to pay in additional amounts to a pension plan (minimum funding requirement) and the regulations set forth in IAS 19 on the upper limit of a positive balance between plan assets and the defined benefit obligation (asset ceiling). IFRIC 14 must be applied for reporting periods beginning on or after 1 January 2008. According to Article 2 of the Regulation (EC) No. 1263/2008 from 16 December 2008, Official Journal EU No. L 338/25, IFRIC 14 must be applied in the EU for reporting period beginning after 31 December 2008.

c) The following standards and interpretations, which have been published but whose adoption is not yet mandatory or which are not applicable in the EU, have not yet been adopted

Amendment to IFRS 2 “Share-Based Payment”
The amendments concern transactions in which an employee receives a cash settlement which corresponds to the value of the equity instruments of the parent company or subsidiary and which the subsidiary is not obliged to pay. Such transactions are to be accounted for in the IFRS separate financial statements of the subsidiary as equity-settled share-based payment transactions. As a result, the accounting differs from the accounting in the consolidated financial statements. In the consolidated financial statements, these transactions are to be treated as cash-settled share-based payment transactions. The amendments are applicable for the first time for reporting periods beginning on or after 1 January 2010.

Amendments to IFRS 7 “Financial Instruments: Disclosures”
The amendments provide for extended disclosures on the fair value measurement of financial instruments and liquidity risks and concern, among other things, the introduction of a three-stage fair value hierarchy. This differentiates fair values by the type of input parameters included in the valuation and shows to what extent observable market data are available when determining the fair value. In addition, the disclosures on the liquidity risk are to be improved by clarifying the scope of the liabilities to be included in the reconciliation of opening and closing balances. The amendments are applicable for reporting periods beginning on or after 1 January 2009.

Amendments to IAS 32 “Financial Instruments: Presentation”
The amendments relate to the classification of subscription rights and provide new rulings on certain subscription rights as well as options and warrants in a foreign currency (diverging from the functional currency) which are to be presented within equity in the balance sheet of the issuer whose equity instruments relate to these rights, and no longer as derivative liabilities. The currency in which the exercise price is denominated is not relevant. The amendments are applicable for the first time for reporting periods beginning on or after 1 February 2010.

Amendments to IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement”
An entity has to check whether a derivative embedded in a host contract can be separated if the whole hybrid instrument has been reclassified from the category at fair value through profit and loss in accordance with the amendments to IAS 39 from October 2008. If the derivative has to be accounted for separately but its fair value cannot be reliably determined or an entity cannot perform the necessary assessment, the entire hybrid instrument has to remain in the category financial instruments at fair value through profit and loss. The amendments are supposed to be applied for reporting periods ending on or after 30 June 2009. The endorsement of the amendment by the European Union as part of the comitology procedure is still outstanding.

IFRIC 17 “Distributions of Non-Cash Assets to Owners”
IFRIC 17 clarifies that when an entity settles the dividend payable, it must recognize the difference, if any, between the carrying amounts of the assets distributed and the fair value in profit or loss. The obligations and any changes in the fair value of the asset concerned should be recognized in equity. IFRIC 17 must be applied for reporting periods beginning on or after 1 July 2009.

IFRIC 18 “Transfers of Assets from Customers”
IFRIC 18 regulates agreements in which an entity receives an asset from a customer that the entity must use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. The interpretation addresses in particular the recognition criteria of customer contributions, the timing and the amount of revenue recognition from such business transactions. IFRIC 18 must be applied for reporting periods beginning on or after 1 July 2009.

Annual improvements project II
On 16 April 2009, the International Accounting Standards Board (IASB) the IASB issued the second annual "Improvements to IFRSs" standard to implement minor amendments to the existing IFRSs. This standard contains 15 different changes to 12 existing IFRSs. Unless stated otherwise in the standard, the amendments are applicable for reporting periods beginning on or after 1 January 2010.

In addition, a number of other changes were presented in the consolidated financial statements for the fiscal year 2007/08 which had still not been applied in the fiscal year 2008/09.

These new accounting principles are not currently expected to have a major effect on future consolidated financial statements with the exception of IAS 27 (rev. 2008). IAS 27 (rev. 2008) provides that the acquisition or sale of minorities without loss of control is taken directly to equity. This does not have any effect as this accounting policy is already applied in the Porsche group. IAS 27 (rev. 2008) also contains rulings on deconsolidation. For possible effects of applying this revision in the fiscal year 2009/10, please refer to the subsequent events presented in note [34].

Notes to the consolidated income statement

[1] Revenue

Revenue breaks down by type of product as follows:

€ million	2008/09	2008/09 Porsche without VW	2007/08
Type of product			
Vehicles	**43,798**	**4,987**	6,232
Parts and accessories	**4,673**	**525**	516
Interest and similar income from financial services business	**2,310**	**38**	36
Rental and leasing business	**4,185**	**666**	347
Other revenue	**2,115**	**349**	336
	57,081	**6,565**	7,467

A breakdown of revenue by operating segment and geographical segment is provided in the segment reporting in note [35].

[2] Changes in inventories and own work capitalized

Own work capitalized is principally a result of the capitalization of vehicles and development costs.

[3] Other operating income

Other operating income breaks down as follows:

€ million	2008/09	2008/09 Porsche without VW	2007/08
Income from reversal of valuation allowances on receivables and other assets	**36**	**2**	4
Income from stock price hedging derivatives	**53,653**	**53,653**	19,256
Income from reversal of provisions and accruals	**524**	**214**	153
Income from foreign exchange gains	**1,325**	**279**	3
Income from cost allocations	**1,342**	**0**	0
Income from rental assets and investment property	**58**	**13**	13
Sundry operating income	**3,277**	**585**	344
	60,215	**54,746**	19,773

Income from stock price hedging derivatives results from forwards and cash-settled stock options. Sundry operating income mainly includes income from other derivative financial instruments. Income from foreign exchange gains mainly contains exchange rate gains between the date of origin and the date of payment of foreign exchange receivables and liabilities as well as exchange rate gains from the measurement at closing rate. Resulting exchange rate losses are included in other operating expenses.

[4] Cost of materials

€ million	2008/09	2008/09 Porsche without VW	2007/08
Cost of raw materials, consumables and supplies and of purchased goods	**31,100**	**3,108**	3,525
Cost of purchased services	**2,681**	**331**	645
	33,781	**3,439**	4,170

The cost of purchased services contains interest expenses from financial services business of €1,603 million (prior year: €92 million).

[5] Personnel expenses

€ million	2008/09	2008/09 Porsche without VW	2007/08
Wages and salaries	**7,479**	**1,007**	1,207
Social security contributions, pension and other benefit costs	**1,559**	**156**	151
	9,038	**1,163**	1,358
Employees (annual average)			
Performance-related wage-earners	**86,379**	**2,289**	4,081
Salaried staff	**92,292**	**10,122**	7,532
Vocational trainees	**4,507**	**377**	398
Employees of joint ventures	**13,309**	**0**	0
	196,487	**12,788**	12,011

[6] Other operating expenses
Other operating expenses consist of:

€ million	2008/09	2008/09 Porsche without VW	2007/08
Expenses from stock price hedging derivatives	**45,832**	**45,832**	12,422
Expenses from stock options marked to market	**10,283**	**10,283**	0
Valuation allowances on receivables and other assets	**706**	**25**	5
Expenses from cost allocations	**69**	**0**	0
Foreign exchange losses	**1,227**	**98**	112
Advertising	**1,465**	**304**	264
Selling and general administrative expenses	**2,060**	**156**	174
Repairs and maintenance	**867**	**68**	67
Sundry operating expenses	**8,349**	**948**	700
	70,858	**57,714**	13,744

The expenses from stock price hedging derivatives result from cash-settled stock options used to secure stock prices. Due to the sale of significant volumes of stock options shortly after the balance sheet date, the options were accounted for at their selling price as the best indicator of fair value. The expenses arising from the impairment of financial assets and from the recognition of financial liabilities in connection with the stock options are disclosed as expense from stock options marked to market. The other operating expenses include, among other things, expenses from other derivative financial instruments.

[7] Profit and loss from investments accounted for at equity
The profit and loss from investments accounted for at equity breaks down as follows:

€ million	2008/09	2008/09 Porsche without VW	2007/08
Profit from investments accounted for at equity	**742**	**400**	1,007
thereof from joint ventures	**328**	**0**	0
thereof from associates	**414**	**400**	1,007
Loss from investments accounted for at equity	**–6**	**0**	0
thereof from joint ventures	**–6**	**0**	0
	736	**400**	1,007

The profit from investments accounted for at equity contains the profit contribution of Porsche SE's investment in Volkswagen AG for the period from 1 July 2008 until the initial consolidation on 5 January 2009.

[8] Finance costs

€ million	2008/09	2008/09 Porsche without VW	2007/08
Interest expenses for unwinding the discount on pension provisions	**397**	**40**	37
Interest arising from unwinding the discount on other provisions	**247**	**46**	28
Unwinding the discount on provisions	**644**	**86**	65
Other interest and similar expenses	**1,410**	**737**	483
	2,054	**823**	548

Other interest and similar expenses comprises interest expenses arising from operating activities and from the issuance of bonds. Finance costs and cost of purchased services included in cost of materials contain interest expenses of €2,673 million (prior year: €361 million) which result from financial assets and liabilities which were not measured at fair value through profit or loss. In the fiscal year 2008/09, an amount of €13 million (prior year: €0 million) was recorded as expense for fees and commissions which are not considered when using the effective interest method.

[9] Other financial result

€ million	2008/09	2008/09 Porsche without VW	2007/08
Income from profit and loss transfer agreements	**5**	**0**	0
Cost of loss absorption	**–6**	**0**	0
Other income from investments	**45**	**0**	0
Other expenses from investments	**–25**	**0**	0
Income from securities and loans	**–76**	**–138**	–11
Other interest and similar income	**627**	**200**	411
	570	**62**	400

Other interest and similar income is mainly attributable to fixed-interest securities and time deposits. In addition, it includes income on interest-bearing receivables and loans. Other financial result and revenue contain interest income of €2,001 million (prior year: €305 million) which results from financial assets and liabilities which were not measured at fair value through profits or loss. Interest income from impaired financial assets amounted to €102 million in the fiscal year (prior year: €0 million). In the fiscal year 2008/09, an amount of €2 million (prior year: €0 million) was recorded as income for fees and commissions which are not considered when using the effective interest method.

[10] Income tax expense

The income tax expense disclosed breaks down into:

€ million	2008/09	2008/09 Porsche without VW	2007/08
Current taxes, Germany	**871**	**619**	1,858
Current taxes, other countries	**317**	**0**	85
Current taxes	**1,188**	**619**	1,943
thereof income/expenses relating to other periods	**579**	**591**	–1
Deferred tax income/expense, Germany	**–1,658**	**–915**	221
Deferred tax income/expense, other countries	**–357**	**54**	13
Deferred taxes	**–2,015**	**–861**	234
Income tax expense	**–827**	**–242**	2,177

An overall income tax rate of 30% (prior year: 30%) applies for Porsche's German entities following the enactment of the business tax reform act in 2008. For German entities of the Volkswagen group the overall tax rate is 29.5%.

The income tax rates applied for foreign companies range between 0% and 42% (prior year: between 0% and 41%). In the case of split tax rates, the tax rate applicable to undistributed profits is applied. Changes in tax rates led to a recalculation of deferred taxes and thus tax income of €7 million (prior year: tax expense of €1 million).

The current tax expense was reduced by €19 million (prior year: €1 million) as a result of the utilization of previously unrecognized unused tax losses and tax credits. In deferred taxes this did not lead to a reduction in the deferred tax expense in the two accounting periods.

No reversals of previously recognized impairments of deferred taxes were recognized (prior year: €1 million). Recognized impairments of deferred taxes amounted to €6 million (prior year: €0 million).

Previously unused tax and interest loss carryforwards for which no deferred tax assets were recorded amounted to €4,043 million (prior year: €32 million). Tax and interest loss carryforwards amounting to €1,087 million (prior year: €30 million) can be used indefinitely, while €1,423 million (prior year: €2 million) must be used within the next ten years. There are additional tax and interest loss carryforwards amounting to €1,533 million (prior year: €0 million), that can be used within a period of 15 to 20 years.

No deferred tax assets were recognized in the balance sheet for tax credits of €143 million (prior year: €0 million). Of the tax credits, an amount of €27 million (prior year: €0 million) has to be used within the next ten years and an amount of €116 million (prior year: €0 million) within a period of 10 to 15 years.

No deferred tax assets were recognized on unused deductible temporary differences of €1,373 million (prior year: €0 million). Of the deductible temporary differences, €4 million (prior year: €0 million) can be used for an unlimited period of time, while the use of €1,369 million (prior year: €0 million) is restricted to the next 10 years.

In addition, deferred tax assets totaling €913 million (prior year: €8 million) have been recognized on unused tax losses. No deferred taxes were recorded on retained profits at subsidiaries, associates and joint ventures of €34 million (prior year: €33 million), as these profits are primarily to be used for the expansion of business activities at the various locations.

In accordance with IAS 12.82, the utilization of a deferred tax assets of €249 million (prior year: €0 million) depends on the future taxable profit which, based on current tax planning, will probably be realized.

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

€ million	2008/09	2007/08
Profit before tax	**–4,405**	8,569
Group tax rate	**30%**	30%
Expected income tax expense	**–1,322**	2,571
Tax rate related differences	**–50**	–43
Difference in tax base	**–888**	–369
Recognition and measurement of deferred taxes	**821**	18
Taxes relating to other periods	**567**	-3
Other differences	**45**	3
Reported income tax expense	**–827**	2,177

The reconciliation item “Recognition and measurement of deferred taxes” mainly contains deferred taxes not recognized on unused tax losses and deductible temporary differences.

The deferred tax assets and liabilities break down by balance sheet item as follows:

€ million	Deferred tax assets		Deferred tax liabilities	
	31/7/2009	31/7/2008	**31/7/2009**	31/7/2008
Intangible assets, property, plant and equipment and leased assets	**4,273**	107	**10,496**	152
Non-current financial assets	**933**	0	**9**	12
Inventories	**298**	2	**412**	1
Receivables and other assets (including financial services division)	**646**	57	**5,713**	532
Other current assets	**76**	2	**59**	33
Unused tax losses	**913**	8	**0**	0
Provisions for pensions and similar obligations	**1,134**	4	**10**	0
Other provisions	**2,730**	118	**296**	0
Liabilities	**1,691**	26	**1,304**	587
Valuation allowances on deferred tax assets	**–7**	–1	**0**	0
Reversal of an impairment loss on deferred tax assets	**0**	1	**0**	0
Gross value	**12,687**	324	**18,299**	1,317
Offsetting	**–11,352**	–313	**–11,352**	–313
Consolidation	**308**	84	**–111**	11
Balance according to consolidated balance sheet	**1,643**	95	**6,836**	1,015

For non-current financial assets, deferred tax assets of €30 million (prior year: €141 million) were recorded directly in equity. For the derivatives presented within other assets and other liabilities, deferred tax liabilities of €162 million (prior year: €540 million) and for other current assets deferred tax assets of €12 million (prior year: €6 million) were recognized directly in equity.

[11] Profit attributable to minority interests

This item is made up of the profit attributable to minority interests amounting to €–1,142 million (prior year: €13 million). These are primarily attributable to minority interests of Volkswagen AG and Scania AB.

[12] Earnings per share

		2008/09	2007/08
Profit/loss after tax (continuing operations)	**€ million**	**–3,578**	6,392
Profit/loss attributable to minority interests	€ million	**–1,151**	13
Profit/loss attributable to hybrid capital investors	€ million	**103**	88
Profit/loss attributable to shareholders of Porsche SE	**€ million**	**–2,530**	6,291
Profit/loss attributable to ordinary shares (basic)	€ million	**–1,265**	3,145
Profit/loss attributable to preference shares (basic)	€ million	**–1,265**	3,146
Profit/loss attributable to ordinary shares (diluted)	€ million	**–1,265**	3,145
Profit/loss attributable to preference shares (diluted)	€ million	**–1,265**	3,146
Average number of ordinary shares outstanding	Number	**87,500,000**	87,500,000
Average number of preference shares outstanding	Number	**87,500,000**	87,500,000
Earnings per ordinary share (basic)	€	**–14.45**	35.94
Earnings per preference share (basic)	€	**–14.45**	35.95
Earnings per ordinary share (diluted)	€	**–14.45**	35.94
Earnings per preference share (diluted)	€	**–14.45**	35.95
Profit/loss after tax (discontinued operations)	**€ million**	**15**	0
Profit/loss attributable to minority interests	€ million	**9**	0
Profit/loss attributable to shareholders of Porsche SE	**€ million**	**6**	0
Profit attributable to ordinary shares (basic and diluted)	€ million	**3**	0
Profit attributable to preference shares (basic and diluted)	€ million	**3**	0
Earnings per ordinary share from discontinued operations (basic and diluted)	€	**0.03**	0.00
Earnings per preference share from discontinued operations (basic and diluted)	€	**0.03**	0.00

Earnings per share are calculated by dividing the profit or loss attributable to the shareholders of Porsche SE by the total number of shares outstanding in the fiscal year. There were no dilutive effects in the fiscal year.

[13] Notes to the consolidated statement of cash flows

The statement of cash flows shows how the cash and cash equivalents of the Porsche group have changed during the reporting year as a result of cash inflows and outflows. For this purpose the cash flows in the statement of cash flows are categorized into operating activities, investing activities including investments in securities and loans, and financing activities.

The statement of cash flows for the fiscal year 2008/09 has been positively influenced by the first-time inclusion of the Volkswagen group and the cash inflows generated in this subgroup since initial consolidation and the cash and cash equivalents received.

Cash inflows and outflows from investing and financing activities are presented using the direct method. Cash flows from investing activities contain additions to and disposals of property, plant and equipment and financial assets, intangible and leased assets, investment property and the cash flows from the acquisition and sale of stock options as well as cash received from and paid for the sale and acquisition of subsidiaries. Changes in receivables from financial services and investments in securities and loans are also disclosed here.

The cash paid for the acquisition of subsidiaries disclosed in cash flows from investing activities less cash funds received mainly consist of the cash paid for the acquisition of shares in Volkswagen AG totaling €15,734 million and the cash and cash equivalents of the Volkswagen group of €9,443 million received as a result of the acquisition. Of the cash paid for the acquisition of shares in Volkswagen AG, an amount of €13,174 million is attributable to shares acquired during the fiscal year 2008/2009 before the initial consolidation.

The cash flows from financing activities contain cash paid for dividends, for the repayment of loans, bonds and commercial paper and notes, to minority interests and hybrid capital investors as well as cash received from capital contributions by hybrid investors, from borrowing of loans, bonds and commercial paper and notes as well as the change in other financial liabilities.

The cash flow from operating activities, on the other hand, is derived indirectly from profit/loss after tax. This involves eliminating all non-cash expenses – mainly depreciation or amortization and changes in provisions as well as other non-cash income and expenses – and adjusting them for changes in operating assets and liabilities. Other non-cash expenses and income mainly result from the investments accounted for at equity. In the fiscal year 2008/09, income taxes paid and received were disclosed separately for the first time in the statement of cash flows in the cash flows from operating activities. The prior-year figures were restated accordingly.

To improve transparency, gains and losses on the disposal of stock options as well as non-cash expenses and income from marking stock options to market are presented in separate line items in the cash flows from operating activities. The prior-year figures were adjusted accordingly. The cash flows from investing activities also contain cash received from and paid for the acquisition and disposal of cash-settled stock options used to secure stock prices and for other purposes. In the prior year, these had been disclosed in the cash flows from operating activities or financing activities. The corresponding prior-year disclosures were restated.

The cash flow from operating activities includes:

€ million	2008/09	2007/08
Interest paid	**–2,916**	–478
Interest received	**2,766**	342
Dividends received from non-consolidated subsidiaries	**12**	0

The changes in the balance sheet items from which the statement of cash flows is derived are adjusted for non-cash factors arising from currency translation. Changes in the balance sheet items concerned can therefore not be reconciled directly with the figures in the published consolidated balance sheet.

The table below reconciles the cash and cash equivalents as reported in the balance sheet to cash and cash equivalents reported in the statement of cash flows:

€ million	**2008/09**	2007/08
Cash and cash equivalents as reported in the balance sheet	**25,036**	6,990
Time deposit investments	**1,261**	0
Cash and cash equivalents not available for use by the group	**1,750**	2,567
Cash and cash equivalents as reported in the statement of cash flows	**22,025**	4,423

Cash and cash equivalents that are not available for use by the group were deposited as collateral in connection with the cash-settled stock option transactions used to secure stock prices and for other purposes and are therefore not included in cash and cash equivalents reported in the cash flow statement. The changes in cash and cash equivalents that are not available for use by the group are presented in the statement of cash flows, as are the cash flows from these stock options, in the cash flows from investing activities. The corresponding prior-year disclosures were restated. The cash and cash equivalents reported in the statement of cash flows at the beginning of the comparative period were therefore reduced by €930 million to €1,480 million.

The changes made in the fiscal year 2008/09 resulted in a decrease in cash outflows from operating activities compared to the presentation in the 2007/08 consolidated financial statements of €2,168 million. The cash outflows from investing activities increased by €3,284 million. This contains a change in the cash and cash equivalents which are not available for use in connection with stock option transactions. For the same reason, the cash outflows from financing activities increased compared to the presentation in the prior year by €19 million.

Notes to the consolidated balance sheet

[14] Development of intangible assets
The indefinitely lived intangible assets are mainly goodwill and brands.

The carrying amounts of the capitalized goodwill were allocated to the Volkswagen subgroup in an amount of €9.9 billion, and the remaining €518 million to the Porsche subgroup. The carrying amounts of the brands were allocated to the cash-generating units Volkswagen passenger vehicles, Volkswagen commercial vehicles, Audi, Seat, Škoda and Scania. The main brand values are attributable to the cash-generating unit Volkswagen passenger vehicles (€4,829 million) and Audi (€3,734 million). There has been no impairment of goodwill or the capitalized brands.

Total research and development of the reporting period developed as follows:

€ million	2008/09	2008/09 Porsche without VW	20007/08
Research and non-capitalized development costs	**2,690**	**569**	875
Amortization of development costs	**–895**	**–52**	–36
Research and development costs recognized in the income statement	**1,795**	**517**	839
Investment in capitalized development costs	**1,160**	**226**	61
	2,955	**743**	900

Intangible assets developed as follows:

€ million	Goodwill	Capitalized development costs for products currently in use	Capitalized development costs for products under development	Brands	Other intangible assets[1]	Total
Cost						
As of 1 August 2007	11	212	2	0	420	645
Changes to consolidated group	0	0	0	0	0	0
Additions	0	47	14	0	122	183
Exchange differences	0	0	0	0	–2	–2
Reclassifications	0	2	–2	0	0	0
Disposals	0	0	0	0	1	1
As of 31 July 2008	11	261	14	0	539	825
Amortization and depreciation						
As of 1 August 2007	0	106	0	0	275	381
Additions	0	36	0	0	51	87
Exchange differences	0	0	0	0	–2	–2
Extraordinary additions	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
As of 31 July 2008	0	142	0	0	324	466
Cost						
As of 1 August 2008	**11**	**261**	**14**	**0**	**539**	**825**
Changes to consolidated group	**10,368**	**6,165**	**2,839**	**10,852**	**2,201**	**32,425**
Additions	**0**	**192**	**968**	**0**	**273**	**1,433**
Exchange differences	**70**	**154**	**39**	**9**	**21**	**293**
Reclassifications	**0**	**604**	**–604**	**0**	**–20**	**–20**
Disposals	**0**	**20**	**36**	**0**	**379**	**435**
As of 31 July 2009	**10,449**	**7,356**	**3,220**	**10,861**	**2,635**	**34,521**
Amortization and depreciation						
As of 1 August 2008	**0**	**142**	**0**	**0**	**324**	**466**
Additions	**0**	**895**	**0**	**0**	**681**	**1,576**
Exchange differences	**0**	**95**	**0**	**0**	**8**	**103**
Extraordinary additions	**0**	**64**	**81**	**0**	**0**	**145**
Reclassifications	**0**	**0**	**0**	**0**	**–2**	**–2**
Disposals	**0**	**20**	**35**	**0**	**378**	**433**
Reversals of impairments	**0**	**0**	**0**	**0**	**0**	**0**
As of 31 July 2009	**0**	**1,176**	**46**	**0**	**633**	**1,855**
Net carrying amount 31 July 2008	11	119	14	0	215	359
Net carrying amount 31 July 2009	**10,449**	**6,180**	**3,174**	**10,861**	**2,002**	**32,666**
Net carrying amount 31 July 2009 Porsche without VW	**11**	**177**	**129**	**0**	**380**	**697**

[1] The franchises, industrial rights and similar rights as well as advance payments presented separately as of 31 July 2008 have been combined in a single sum as of 31 July 2009.

[15] Development of property, plant and equipment

€ million	Land, land rights and buildings incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Cost					
As of 1 August 2007	824	471	2,185	268	3,748
Changes to consolidated group	1	0	1	0	2
Additions	157	46	178	224	605
Exchange differences	–9	–1	–5	0	–15
Reclassifications	17	40	46	–103	0
Disposals	4	6	56	1	67
As of 31 July 2008	986	550	2,349	388	4,273
Amortization and depreciation					
As of 1 August 2007	310	372	1,688	0	2,370
Additions	22	31	229	0	282
Exchange differences	–3	0	–4	0	–7
Extraordinary additions	0	0	0	0	0
Reclassifications	0	0	0	0	0
Disposals	2	5	33	0	40
Reversals of impairments	0	0	0	0	0
As of 31 July 2008	327	398	1,880	0	2,605
Cost					
As of 1 August 2008	**986**	**550**	**2,349**	**388**	**4,273**
Changes to consolidated group	**11,886**	**8,184**	**6,945**	**2,979**	**29,994**
Additions	**150**	**393**	**1,166**	**1,493**	**3,202**
Exchange differences	**129**	**190**	**73**	**28**	**420**
Reclassifications	**294**	**388**	**699**	**–1,252**	**129**
Disposals	**24**	**68**	**154**	**37**	**283**
As of 31 July 2009	**13,421**	**9,637**	**11,078**	**3,599**	**37,735**
Amortization and depreciation					
As of 1 August 2008	**327**	**398**	**1,880**	**0**	**2,605**
Additions	**367**	**1,184**	**1,446**	**0**	**2,997**
Exchange differences	**–3**	**48**	**15**	**0**	**60**
Extraordinary additions	**0**	**1**	**34**	**0**	**35**
Reclassifications	**0**	**3**	**24**	**0**	**27**
Disposals	**21**	**29**	**74**	**0**	**124**
Reversals of impairments	**0**	**1**	**0**	**0**	**1**
As of 31 July 2009	**670**	**1,604**	**3,325**	**0**	**5,599**
Net carrying amount 31 July 2008	659	152	469	388	1,668
Net carrying amount 31 July 2009	**12,751**	**8,033**	**7,753**	**3,599**	**32,136**
Net carrying amount 31 July 2009 Porsche without VW	**826**	**161**	**1,004**	**127**	**2,118**

Government grants of €7 million (prior year: €0 million) were deducted from the cost of property, plant and equipment. The grants mainly subsidize the purchase of land and capital goods.

The carrying amounts of the buildings leased under finance leases amount to €180 million (prior year: €0 million) and the carrying amounts of the equipment leased in this way to €18 million (prior year: €0 million). For most of them, the company has purchase options which it intends to exercise. The underlying interest rates of the agreements vary between 2.9% and 13.6%, depending on the date on which the agreements were concluded and on market conditions.

Future lease payments due and their present values are shown in the following table:

€ million	2010	2011-2014	from 2015	Total
Lease payments	30	99	105	**234**
Interest component	7	17	3	**27**
Carrying amount/present value	23	82	102	**207**

[16] Development of financial assets

€ million	Investments accounted for at equity	Other financial assets[1]	Total
Cost			
As of 1 August 2007	7,059	67	7,126
Changes to consolidated group	0	0	0
Additions	22	0	22
Changes due to accounting at equity	1,049	0	1,049
Exchange differences	0	0	0
Reclassifications	0	0	0
Disposals	0	3	3
As of 31 July 2008	8,130	64	8,194
Amortization and depreciation			
As of 1 August 2007	0	0	0
Additions	0	0	0
Exchange differences	0	0	0
Extraordinary additions	0	0	0
Reclassifications	0	0	0
Disposals	0	0	0
Reversals of impairments	0	0	0
As of 31 July 2008	0	0	0
Cost			
As of 1 August 2008	**8,130**	**64**	**8,194**
Changes to consolidated group	**8,261**	**583**	**8,844**
Additions	**14,577**	**64**	**14,641**
Changes due to accounting at equity	**–166**	**0**	**–166**
Exchange differences	**–51**	**–1**	**–52**
Reclassifications	**0**	**0**	**0**
Disposals	**22,598**	**30**	**22,628**
As of 31 July 2009	**8,153**	**680**	**8,833**
Amortization and depreciation			
As of 1 August 2008	**0**	**0**	**0**
Additions	**0**	**0**	**0**
Exchange differences	**0**	**0**	**0**
Extraordinary additions	**0**	**0**	**0**
Reclassifications	**0**	**0**	**0**
Disposals	**0**	**0**	**0**
Reversals of impairments	**0**	**0**	**0**
As of 31 July 2009	**0**	**0**	**0**
Net carrying amount 31 July 2008	8,130	64	8,194
Net carrying amount 31 July 2009	**8,153**	**680**	**8,833**
Net carrying amount 31 July 2009 Porsche without VW	**0**	**37**	**37**

[1] The other investments and other loans presented separately as of 31 July 2008 have been combined for materiality reasons in one column.

The carrying amount of the investments accounted for at equity includes interests in joint ventures with a carrying amount of €5,738 million (prior year: €0 million). Significant joint ventures and associates are detailed in the listing of significant group companies at the end of the notes to the consolidated financial statements.

[17] Development of leased assets, investment property and of total fixed assets

€ million	Leased assets	Investment property	Fixed assets Total
Cost			
As of 1 August 2007	1,333	0	12,852
Changes to consolidated group	0	0	2
Additions	574	0	1,384
Changes due to accounting at equity	0	0	1,049
Exchange differences	–154	0	–171
Reclassifications	0	0	0
Disposals	469	0	540
As of 31 July 2008	1,284	0	14,576
Amortization and depreciation			
As of 1 August 2007	342	0	3,093
Additions	200	0	569
Exchange differences	–48	0	–57
Extraordinary additions	0	0	0
Reclassifications	0	0	0
Disposals	157	0	197
Reversals of impairments	0	0	0
As of 31 July 2008	337	0	3,408
Cost			
As of 1 August 2008	**1,284**	**0**	**14,576**
Changes to consolidated group	**9,942**	**400**	**81,605**
Additions	**3,131**	**3**	**22,410**
Changes due to accounting at equity	**0**	**0**	**–166**
Exchange differences	**218**	**0**	**879**
Reclassifications	**–109**	**0**	**0**
Disposals	**1,868**	**0**	**25,214**
As of 31 July 2009	**12,598**	**403**	**94,090**
Amortization and depreciation			
As of 1 August 2008	**337**	**0**	**3,408**
Additions	**1,231**	**12**	**5,816**
Exchange differences	**46**	**0**	**209**
Extraordinary additions	**173**	**0**	**353**
Reclassifications	**–25**	**0**	**0**
Disposals	**185**	**0**	**742**
Reversals of impairments	**19**	**0**	**20**
As of 31 July 2009	**1,558**	**12**	**9,024**
Net carrying amount 31 July 2008	947	0	11,168
Net carrying amount 31 July 2009	**11,040**	**391**	**85,066**
Net carrying amount 31 July 2009 Porsche without VW	**998**	**0**	**3,850**

The impairment losses totaling €353 million concern assets in the Volkswagen segment as a result of market changes due to changes in volume and exchange rates. The recoverable amount used to determine the impairment was based on the value in use. A discount rate of is 9.8% was used and the calculations are based on a five-year plan.

Leased assets include assets leased out under the terms of operating leases.

Investment property includes apartments rented out and leased dealerships, with a fair value of €400 million (prior year: €0 million). Operating expenses of €19 million (prior year: €0 million) were incurred for the maintenance of investment property in use. Expenses of €1 million were incurred for unused investment property (prior year: €0 million).

The duration of the minimum lease payments under non-cancellable operating leases of €2,960 million (prior year: €404 million) are as follows:

€ million	**31/7/2009**	**31/7/2009 Porsche without VW**	31/7/2008
Due within one year	**1,509**	**217**	186
Due in one to five years	**1,451**	**222**	218
Due in more than five years	**0**	**0**	0
	2,960	**439**	404

The contracts are concluded for a maximum period of 60 months and partly contain renewal and purchase options as well as escalation clauses. Conditional lease payments, particularly those dependent on mileage, of €2 million (prior year: €2 million) were recognized.

[18] Inventories

Inventories break down as follows:

€ million	**31/7/2009**	**31/7/2009 Porsche without VW**	31/7/2008
Raw materials, consumables and supplies	**2,138**	**85**	83
Work in progress	**1,263**	**49**	42
Finished goods and merchandise	**12,089**	**514**	632
Current leased assets	**696**	**0**	0
Advance payments made	**79**	**1**	0
	16,265	**649**	757

Of the total inventories reported as of the balance sheet date of €16,265 million (prior year: €757 million), an amount of €2,382 million (prior year: €209 million) is recognized at net realizable value. At the same time as revenue recognition, inventories of €45,601 million (prior year: €4,375 million) were expensed. The write-downs recognized in the reporting period amounted to €359 million (prior year: €1 million). The write-downs were caused by market conditions. Reversals of write-downs of €4 million were recognized in profit or loss in the fiscal year (prior year: €8 million). These were a result of new information obtained about the usability of the inventories. Vehicles amounting to €88 million (prior year: €77 million) were pledged as collateral for phased retirement obligations.

[19] Trade receivables

€ million	**31/7/2009**	**31/7/2009 Porsche without VW**	31/7/2008
Receivables from long-term development contracts	**8**	**8**	28
Trade receivables from			
third parties	**6,193**	**377**	228
affiliated companies	**262**	**0**	0
joint ventures	**299**	**0**	0
associates	**4**	**0**	18
other investees and investors	**1**	**0**	0
Valuation allowance	**–52**	**–8**	–6
	6,715	**377**	268

The non-current trade receivables disclosed in the prior year are disclosed under current trade receivables for materiality reasons. The maximum bad debt 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.

The receivables from long-term development contracts are calculated as follows:

€ million	**31/7/2009**	**31/7/2009 Porsche without VW**	31/7/2008
Costs of conversion including outcome of the long-term development contracts	**132**	**132**	77
thereof services billed to customers	**–17**	**–17**	–16
Future receivables from long-term development contracts before advance payments received	**115**	**115**	61
Advance payments received	**–107**	**–107**	–33
	8	**8**	28

The revenue from long-term development contracts totals €73 million (prior year: €65 million). Contracts and parts of contracts billed to customers are presented within trade receivables. No significant allowances for trade receivables were recognized.

[20] Non-current and current receivables from financial services

€ million	31/7/2009	31/7/2009 Porsche without VW	31/7/2008
Customer financing	**33,203**	**555**	431
Dealer financing	**10,469**	**52**	46
Direct banking	**140**	**0**	0
Receivables from financing business	**43,812**	**607**	477
Receivables from operating lease business	**178**	**30**	15
Receivables from finance leases	**18,815**	**1,369**	1,317
Valuation allowance	**–653**	**–49**	–36
Receivables from financial services	**62,152**	**1,957**	1,773
thereof non-current	**34,520**	**1,310**	1,301
thereof current	**27,632**	**647**	472

The non-current receivables from financial services are subject to generally fixed interest rates of between 1.5% and 18.9% (prior year: 3.0% and 18.1%), depending on the market. Unguaranteed residual values accruing to the benefit of the Porsche group amount to €27 million (prior year: €8 million).

Receivables from financial services of €62.2 billion (prior year: €2.0 billion) contain a fair value adjustment from portfolio hedging amounting to €151 million (prior year: €0 million).

Receivables from financial services are generally secured by the assignment of collateral, land charges or guarantees. The maximum bad debt risk corresponds to the carrying amounts of the net receivables.

The receivables from dealer financing include an amount of €186 million (prior year: €0 million) receivable from affiliated companies.

Receivables from finance leases result almost exclusively from vehicle financing and break down as follows:

€ million	31/7/2009	31/7/2009 Porsche without VW	31/7/2008
Total gross investment in the lease	**20,627**	**1,535**	1,475
Due within one year	**8,248**	**525**	504
Due in one to five years	**12,330**	**1,010**	971
Due in more than five years	**49**	**0**	0
Unearned finance income	**–1,812**	**–166**	–158
Present value of outstanding minimum lease payments	**18,815**	**1,369**	1,317
Due within one year	**7,494**	**451**	428
Due in one to five years	**11,274**	**918**	889
Due in more than five years	**47**	**0**	0

Some of the leases contain renewal and purchase options as well as escalation clauses. Escalations may arise in connection with tax changes.

Depending on liquidity requirements and the market situation, a certain volume of receivables from financial services is sold to third parties (factoring). In such cases, the company examines whether the criteria for derecognition of receivables legally transferred in factoring contracts are met. If the criteria are not met, the receivables remain recognized on the balance sheet, which is referred to as recourse factoring.

Factoring in the context of asset-backed-security transactions which do not satisfy the derecognition criteria resulted in receivables from financial services with a carrying amount of €16,439 million (prior year: €1,132 million) as of the balance sheet date. The opportunities and risks associated with recourse factoring are essentially comparable to those inherent in receivables that have not been sold. The liabilities related to the receivables that have been transferred and not derecognized amount to €13,561 million (prior year: €1,084 million).

[21] Non-current and current other receivables and assets

€ million	31/7/2009	31/7/2009 Porsche without VW	31/7/2008
Derivative financial instruments	**4,567**	**1,387**	18,330
Other receivables and assets			
from affiliated companies	**183**	**0**	0
from joint ventures	**1,704**	**0**	0
from associates	**20**	**3**	0
from other investees and investors	**1**	**0**	0
Recoverable income taxes	**1,187**	**103**	
Sundry receivables and assets	**3,477**	**205**	1,685
Prepaid expenses	**351**	**29**	16
Valuation allowance	**–176**	**0**	0
	11,314	**1,727**	20,031
thereof non-current	**3,495**	**430**	732
thereof current	**7,819**	**1,297**	19,299

Sundry receivables and assets include plan assets to fund pension obligations of €64 million (prior year: €2 million). This item also includes the share of the technical provisions attributable to reinsurers amounting to €128 million (prior year: €0 million). In the course of vehicle financing, collateral of €96 million was issued (prior year: €61 million). The collateral is generally accounted for when the contract is concluded and derecognized when the contract expires. There are no material restrictions on title or right of use in respect of sundry receivables and assets. Valuation allowances are recognized to take account of default risks. The maximum risk of default corresponds to the net carrying amounts of the sundry receivables and assets. The current other receivables and assets are mainly non-interest-bearing. The non-current other receivables and assets include derivative financial instruments totaling €1,926 million (prior year: €712 million).

Other receivables and assets excluding derivative instruments have a carrying amount of €6,747 million (prior year: €1,701 million). This value comprises other financial receivables with a carrying amount of €3,411 million (prior year: €1,456 million) and other non-financial receivables and assets with a carrying amount of €3,336 million (prior year: €245 million). The other non-financial receivables and assets contain in particular other taxes, advance payments and accrued expenses.

The positive fair values of derivatives relate to the following items:

€ million	31/7/2009	31/7/2008
Transactions for hedging against:		
foreign currency risk from assets using fair value hedges	**66**	0
foreign currency risk from liabilities using fair value hedges	**118**	0
interest rate risk using fair value hedges	**362**	6
interest rate risk using cash flow hedges	**16**	0
foreign currency and price risk from future cash flows (cash flow hedges)	**2,666**	820
Hedging transactions	**3,228**	826
Stock price derivatives	**774**	17,301
Other derivatives	**565**	203
Assets from derivatives without hedging relationship	**1,339**	17,504
	4,567	18,330

The positive fair value of transactions for hedging against price risk from future cash flows (cash flow hedges) amounted to €83 million (prior year: €0 million).

The sale of significant volumes of cash-settled stock options shortly after the balance sheet date has led Porsche to measure the stock options at their selling price as the best indicator of fair value. The price difference between the basic strike price of the stock option and the quoted stock price of the hedged shares as of the balance sheet date came to an accumulated total of €9,212 million.

Further details on derivative financial instruments as a whole are given in note [31].

[22] Income tax assets

€ million	31/7/2009	31/7/2009 Porsche without VW	31/7/2008
Income tax assets	**1,937**	**568**	91
thereof non-current	**848**	**58**	57
thereof current	**1,089**	**510**	34

The non-current income tax assets mainly include the residual present value from corporate income tax reduction claims which were converted into actual refund claims on the basis of the law passed in Germany on measures to assist the introduction of the European company and to amend other tax legislation (SEStEG). These claims are no longer realized via distributions but paid out in equal installments over the residual period of eight years.

[23] Securities
The securities serve to safeguard liquidity. The securities are quoted and mainly short-term fixed-interest-bearing securities and shares allocated to the available-for-sale financial assets category. The securities which are measured at fair value through profit or loss are carried at €32 million (prior year: €431 million). The maximum default risk is equivalent to the carrying amounts of the securities.

[24] Cash and cash equivalents
Bank balances are held at various banks in different currencies. In connection with the stock options that have been acquired, cash and cash equivalents of €1,750 million (prior year: €2,567 million) have been pledged as of the balance sheet date. A large part of the pledge was revoked due to the sale of stock options a few days after the balance sheet date.

[25] Equity and minority interests
The reconciliation of equity and minority interests is presented in the statement of changes in equity.

Subscribed capital
Porsche SE's subscribed capital totals €175 million (prior year: €175 million) and is divided into 87,500,000 ordinary shares and 87,500,000 non-voting preference shares which have been fully paid. Each share represents a €1 notional value of the subscribed capital. The preference shares carry an additional dividend of 0.6 cents per share in the event of retained profit being recorded.

Subject to the approval of the supervisory board, the executive board is authorized to increase the company's share capital, once or several times, by a maximum amount of €22.75 million in total until 25 January 2012 by issuing new bearer shares (ordinary shares) and/or non-voting preference shares for contributions in cash and/or in kind.

Capital reserves
The capital reserves contain contributions from premiums only and are unchanged since the prior year.

Retained earnings
The retained earnings include the reserve for accumulated profits, the revaluation reserve, reserves available-for-sale securities marked to market, reserves for cash flow hedges, the reserves for investments accounted for at equity and the currency translation reserve. The reserve available-for-sale securities marked to market contains changes in the fair value of these securities.

The reserve for accumulated profits includes the profits of Porsche SE and its consolidated subsidiaries earned in prior years and the reporting year and not yet distributed. The revaluation reserve arises from business combinations achieved in stages and contains changes in hidden reserves and burdens incurring before initial consolidation that are attributable to shares already held before initial consolidation.

The portion of the gain or loss on hedging instruments that is determined to be effective is recognized in the reserve for cash flow hedges.

The foreign 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 disclosed in this reserve for the first time to allow the uniform recording of foreign currency effects within equity. The prior-year figures were adjusted accordingly.

In the reserve for investments accounted for at equity, expenses and income from investments accounted for at equity recognized directly in equity are presented in a separate reserve for the first time in order to enhance transparency. The prior-year figures were adjusted accordingly. In prior years, expenses and income from investments accounted for at equity recognized directly in equity were included in the respective reserves provided for the nature of the income or expense.

The separate financial statements of Porsche SE as of 31 July 2009 report a net retained profit of €8,225,000. The executive board and supervisory board of Porsche SE will propose to the annual general meeting to distribute the entire net retained profit and thus to pay out a dividend of €0.044 per ordinary share (prior year: €0.694 plus €2.00 extra dividend) and per preference share of €0.050 (prior year: €0.700 plus €2.00 extra dividend).

Hybrid capital

During fiscal year 2008/09, the Porsche group signed an agreement to repurchase hybrid capital with a nominal volume of €640 million. This part was therefore reclassified to the bonds. The remaining hybrid capital thus consists of a nominal volume of €0.36 billion and US$1 billion (prior year €1 billion and US$1 billion) and has an indefinite duration. According to IAS 32, it represents equity of the group. The currency translation of the US dollar hybrid capital is based on the exchange rate prevailing at the time of issue.

Minority interests

The minority interests in equity mainly relate to the minority interests of Volkswagen AG, Scania AB and AUDI AG. The other changes presented in the statement of changes in equity mainly concern the shares acquired in Scania AB as a result of the mandatory offer after the initial consolidation of the Volkswagen group.

Stock option plan

The stock option plan entitles the optionees – the Board of Management of Volkswagen AG, group senior executives and management, as well as employees of Volkswagen AG covered by collective pay agreements – to purchase options for shares of Volkswagen AG by subscribing for convertible bonds at a price of €2.56 each. Each bond is convertible into ten ordinary shares.

The exercise price and conversion period following the expiry of the first five tranches are shown in the following table.

€	6th tranche	7th tranche	8th tranche
Base exercise price per share	38.68	37.99	58.18
Exercise price			
as from publication of VW interim report for Jan. - Sept. 2008	48.35	45.59	66.91
as from publication of VW interim report for Jan. - Sept. 2009	–	47.49	69.82
as from publication of VW interim report for Jan. - Sept. 2010	–	–	72.73
Beginning of conversion period	10 July 2006	9 July 2007	8 July 2008
End of conversion period	2 July 2009	1 July 2010	30 June 2011

Changes in the rights to stock options granted are shown in the following table:

	Nominal value of convertible bonds €	Number of conversion rights Number	Number of potential ordinary shares Number
As of 5 January 2009	**43,540.48**	**17,008**	**170,080**
In fiscal year			
exercised	4,034.56	1,576	15,760
returned	–	–	–
As of 30 June 2009	**39,505.92**	**15,432**	**154,320**

Changes in convertible bonds in the sixth to eight tranches

The tables below show the changes in the convertible bonds in issue and their exercise prices:

	Average exercise price per convertible bond[1] €	Convertible bonds Number
As of 5 January 2009	556.27	17,008
In fiscal year		
granted	–	–
returned	–	–
exercised	571.21	1,576
As of 30 June 2009	554.75	15,432
thereof available for exercise	554.75	15,432

[1] conversion price per ten shares

	Exercise price per convertible bond[1] €	Convertible bonds Number
2008/09		
6th tranche	483.50	5,753
7th tranche	455.90	3,269
8th tranche	669.10	6,410
		15,432

[1] conversion price per ten shares

Capital management

Capital management in the Porsche group is a two-step process. In a first step, both the Porsche subgroup and the Volkswagen subgroup manage their capital in accordance with individual requirements. In a second step at overall group level, a monitoring of the subgroups, the consolidation effects and the effects from the purchase price allocation is performed.

Capital management in the Porsche subgroup

The main target of capital management in the Porsche subgroup is the continuous and long-term increase in the value of the company and securing its liquidity and complying with the capital requirements imposed by third parties. This is done in order to protect the long-term interests of the shareholders and employees and other stakeholders.

There are minimum capital requirements imposed by third parties relating to certain profit and debt levels. These were complied with in full in the fiscal year 2008/09.

The Porsche group supports active debt capital management with a view to reducing the cost of capital and optimizing the capital structure.

Total capital, defined for capital management purposes as the sum of equity and financial liabilities, is as follows as of the balance sheet date:

€ million	**31/7/2009**	31/7/2008
Equity	**13,492**	16,846
Share of total capital	**45%**	51%
Non-current financial liabilities	**10,103**	3,489
Current financial liabilities	**6,287**	12,897
Total financial liabilities	**16,390**	16,386
Share of total capital	**55%**	49%
Total capital	**29,882**	33,232

Capital management in the Volkswagen subgroup

The goal of capital management in the Volkswagen subgroup is to ensure that the group can effectively achieve its goals and strategies in the interests of the shareholders, employees and other stakeholders. In particular, management focuses on generating the minimum return on invested assets in the automotive division that is required by the capital markets, and on increasing the return on equity in the financial services division. In addition, the goals of the financial services division are to meet the banking supervisory authorities' regulatory capital requirements, to support the external rating by ensuring adequate capital gearing and to procure equity for the growth planned in the next fiscal years. In the process, it aims overall to achieve the highest possible growth in the value of the group and its divisions for the benefit of all the company's stakeholder groups. The Volkswagen group's financial target system focuses systematically on continuously and sustainably increasing the value of the company. In order to maximize the use of resources in the automotive division and to measure the success of this, the Volkswagen subgroup has been using value contribution, a control variable linked to the cost of capital, for a number of years. The concept of value contribution not only allows overall performance to be measured in the automotive division, but also in the individual business units, projects and products. In addition, business units and product-specific investment projects can be managed operationally and strategically using the value contribution.

Total capital of the Volkswagen subgroup, defined for capital management purposes as the sum of equity and financial liabilities, is as follows on the balance sheet date:

€ million	30/6/2009
Equity	**36,415**
Share of total capital	**32%**
Non-current financial liabilities	**39,696**
Current financial liabilities	**37,427**
Total financial liabilities	**77,123**
Share of total capital	**68%**
Total capital	**113,538**

[26] Provisions for pensions or 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 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 fiscal year 2008/09, they amounted to a total of €551 million (prior year: €62 million) in the Porsche group. Thereof, contributions to the compulsory state pension system in Germany amounted to €464 million (prior year: €62 million).

Most pension plans are defined benefit plans, with a distinction made between unfunded benefit obligations and externally funded plans. The obligations for 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. 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 valuation.

Most of the benefits in the Porsche subgroup concern Porsche AG. In addition, personal retirement capital is accumulated in Germany by way of employee contributions to Porsche VarioRente.

The occupational pension arrangements of the Volkswagen subgroup in Germany are based on a specially developed expense-related pension model that is classified as a defined benefit plan under IAS 19. This model has been further developed into a pension fund, with the annual remuneration-linked contributions being invested in funds by Volkswagen Pension Trust e.V. as the trustee. By investing in funds, this model offers an opportunity for increasing benefit entitlements, while at the same time fully safeguarding them. For this reason, almost all group companies in the Volkswagen subgroup in Germany have now joined the fund. Since the fund units held by the trust meet the criteria of IAS 19 for classification as plan assets, they are deducted from the obligation.

Owing to their benefit character, the obligations of the US group companies in respect of post-employment medical care in particular are also carried under provisions for pensions and similar obligations. These similar obligations take into account the expected long-term rise in medical costs.

Actuarial assumptions

The defined benefit obligations are calculated using actuarial methods. These include assumptions concerning future wage and salary developments and pension increases. The measurement is based on the following assumptions:

	Germany		International	
	2008/09	2007/08	**2008/09**	2007/08
Discount rate	**5.25 - 5.50**	5.70	**1.50 - 9.00**	6.00 - 6.25
Expected return on plan assets	**5.00**	–	**3.00 - 11.30**	5.63 - 6.00
Increase in salaries and wages	**2.50 - 3.00**	3.00	**2.00 - 10.00**	4.00
Trend of medical cost	**–**	–	**5.00 - 8.00**	5.00
Employee turnover rate	**0.75 - 1.20**	0.50	**1.53 - 6.00**	–
Increase in pensions	**1.00 - 1.60**	2.00	**1.00 - 6.00**	3.00 - 3.80

The effects on the service cost and interest cost of a one percentage point increase or decrease in the assumed medical cost increase rate when calculating the obligations are immaterial. The obligation for medical care increases or decreases by €6 million (prior year: €4 million).

Amounts posted to profit or loss break down as follows:

€ million	2008/09	2007/08
Current service cost	**201**	25
Interest expenses	**500**	38
Expected return on plan assets	**–103**	–2
Net actuarial gain (–)/loss (+) recognized in the year	**–1**	0
Past service cost	**–50**	0
Losses/gains as a result of application of limit the according to IAS 19.58(b)	**–30**	0
Net benefit expense	**517**	61

The rate for the expected long-term return on plan assets is based on the long-term returns actually generated for the portfolio, historical overall market returns and a forecast of expected returns on the securities classes held in the portfolio. The forecasts are based on the expected rate of return for comparable pension funds taking the remaining service period as the investment horizon and using the experience of managers of large portfolios and of experts from the investment industry. The weighted average return of each class of asset supports the rate of return of the group anticipated in the long-term.

The actual return on plan assets in the fiscal year amounted to €88 million (prior year: €1 million).

The table below presents the changes in the present value of the pension obligations and the plan assets at market values.

Changes in the present value of pension obligations

€ million	2008/09	2008/09 Porsche without VW	2007/08
As of 1 August	**760**	**760**	744
Exchange differences	**166**	**0**	–6
Current service cost	**201**	**28**	25
Interest cost	**500**	**42**	38
Past service cost	**–50**	**1**	0
Actuarial gains (–) and losses (+)	**26**	**26**	–43
Benefits paid	**–378**	**–23**	–20
Employee contributions	**26**	**20**	22
Changes to consolidated group	**15,983**	**0**	0
Other changes	**–12**	**–1**	0
As of 31 July	**17,222**	**853**	760

Changes in the fair value of plan assets

€ million	2008/09	2008/09 Porsche without VW	2007/08
As of 1 August	**41**	**41**	43
Exchange differences	**151**	**–1**	–6
Expected return on plan assets	**103**	**2**	2
Actuarial gains (+) and losses (–)	**–14**	**0**	–2
Benefits paid	**–60**	**–1**	0
Employer contributions	**140**	**1**	4
Employee contributions	**7**	**0**	0
Changes to consolidated group	**3,153**	**0**	0
Other changes	**–11**	**1**	0
As of 31 July	**3,510**	**43**	41

Contributions to the defined benefit plans are expected to total €261 million for the fiscal year 2009/10 (prior year: €4 million).

The following amounts were recognized in the balance sheet for defined benefit obligations:

€ million	31/7/2009	31/7/2009 Porsche without VW	31/7/2008
Present value of funded benefit obligations	**3,745**	**52**	56
Fair value of plan assets	**–3,510**	**–43**	–41
Funded status	**235**	**9**	15
Present value of unfunded benefit obligations	**13,477**	**801**	704
Net obligations	**13,712**	**810**	719
Unrecognized net actuarial gains (+) and losses (–)	**25**	**23**	56
Unrecognized past service cost	**37**	**0**	0
Amount not recognized according to IAS 19.58b	**5**	**0**	0
As of 31 July	**13,779**	**833**	775
thereof pension provisions	**13,843**	**834**	777
thereof other asset	**64**	**1**	2

Plan assets consist of the following components:

%	31/7/2009	31/7/2009 Porsche without VW	31/7/2008
Shares	**21**	**12**	0
Fixed-interest securities	**55**	**46**	91
Other securities	**0**	**0**	9
Cash reserve	**15**	**42**	0
Real estate	**5**	**0**	0
Other	**4**	**0**	0

The table below presents experience adjustments, meaning differences between changes in assets and obligations expected on the basis of actuarial assumptions and actual changes in those assets and obligations:

€ million	2008/09	2007/08	2006/07	2005/06
Defined benefit obligation	**17,222**	760	744	758
Plan assets	**–3,510**	–41	–43	–37
Deficit (+)/Surplus (–)	**13,712**	719	701	721
Experience adjustments on pension obligation	**–0.7%**	+ 13.1%	+ 6.0%	–2.6%
Experience adjustments on plan assets	**–0.5%**	–1.7%	+ 1.3%	1.0%

[27] Non-current and current tax provisions and other provisions

€ million	31/7/2009		31/7/2009 Porsche without VW		31/7/2008	
		Thereof due within one year		Thereof due within one year		Thereof due within one year
Income tax provisions	**6,058**	**2,280**	**1,401**	**1,401**	2,008	2,008
Provisions for employee expenses	**2,811**	**1,650**	**327**	**226**	639	535
Provisions for obligations arising from sales	**11,205**	**5,584**	**688**	**312**	893	347
Sundry other provisions	**5,425**	**2,509**	**186**	**179**	308	308
Other provisions	**19,441**	**9,743**	**1,201**	**717**	1,840	1,190

Provisions for employee expenses are recognized for long-service awards, time credits, the phased retirement scheme, severance payments and similar obligations, among other things.

Provisions for obligations arising from sales primarily concern warranty obligations, marketing services and bonuses. The warranty obligations in the Porsche 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 warranty. The timing of the utilization of the warranty obligation depends on the occurrence of the warranty claim and can extend over the entire legal and constructive warranty period.

The provisions for bonuses are intended to cover the cost of subsequent reductions in revenue already realized.

Sundry other provisions relate to a wide range of identifiable risks and uncertain obligations, measured according to the probability of their occurrence. These contain technical provisions for insurance of €169 million (prior year: €0 million).

50% of the other provisions are expected to result in cash outflows in the following year, 42% between 2010/11 to 2013/14 and 8% thereafter.

Other provisions developed as follows:

€ million	As of 1 August 2008	Exchange differences	Changes to consolidated group	Additions	Unwinding the discount	Utilization	Reversal	**As of 31 July 2009**	**Porsche without VW**
Provisions for employee expenses	639	14	2,820	808	20	1,428	62	**2,811**	**327**
Provisions for obligations arising from sales	893	62	10,225	3,357	219	3,189	362	**11,205**	**688**
Sundry other provisions	308	166	4,569	1,139	8	588	177	**5,425**	**186**
	1,840	242	17,614	5,304	247	5,205	601	**19,441**	**1,201**

[28] Trade payables

€ million	**31/7/2009**	**31/7/2009 Porsche without VW**	31/7/2008
Liabilities from long-term development contracts	**2**	2	5
Trade payables to			
third parties	**11,125**	677	559
affiliated companies	**57**	0	0
joint ventures	**18**	0	0
associates	**21**	8	22
other investees and investors	**2**	0	0
	11,225	687	586

The non-current trade payables presented in the prior year have been shown under current trade payables for materiality reasons.

The liabilities from long-term development contracts are calculated as follows:

€ million	31/7/2009	31/7/2009 Porsche without VW	31/7/2008
Costs of conversion including outcome of the long-term development contracts	**15**	**15**	14
thereof services billed to customers	**–3**	**–3**	–4
Future receivables from long-term development contracts before advance payments received	**12**	**12**	10
Advance payments received	**–14**	**–14**	–15
	2	**2**	5

The fair values of trade payables generally correspond to the carrying amounts.

[29] Non-current and current financial liabilities

Financial liabilities break down as follows:

€ million	Total	Porsche without VW	Current	Porsche without VW	Non-current	Porsche without VW
31/7/2009						
Bonds	**36,211**	**2,995**	**9,334**	**568**	**26,877**	**2,427**
Commercial paper and notes	**10,426**	**0**	**5,555**	**0**	**4,871**	**0**
Liabilities to banks	**25,480**	**11,337**	**11,190**	**4,899**	**14,290**	**6,438**
Deposits from direct banking business	**19,085**	**0**	**16,628**	**0**	**2,457**	**0**
Finance lease liabilities	**207**	**0**	**36**	**0**	**171**	**0**
Financial liabilities to affiliated companies	**154**	**0**	**154**	**0**	**0**	**0**
Other financial liabilities	**2,058**	**2,058**	**820**	**820**	**1,238**	**1,238**
	93,621	**16,390**	**43,717**	**6,287**	**49,904**	**10,103**
31/7/2008						
Bonds	2,295	2,295	0	0	2,295	2,295
Commercial paper and notes	0	0	0	0	0	0
Liabilities to banks	12,175	12,175	12,116	12,116	59	59
Deposits from direct banking business	0	0	0	0	0	0
Finance lease liabilities	0	0	0	0	0	0
Financial liabilities to affiliated companies	0	0	0	0	0	0
Other financial liabilities	1,916	1,916	781	781	1,135	1,135
	16,386	16,386	12,897	12,897	3,489	3,489

Liabilities to banks are recognized at amortized cost.

Asset-backed securities transactions accomplished via special purpose entities to refinance the financial services business are included in the bonds, commercial paper and notes, loan liabilities and other financial obligations with an amount of €13,561 million (prior year: €1,084 million). Liabilities to refinance the financial services business in the form of forfaiture and sale-and-leaseback programs are also presented within other financial liabilities. Interest rates compare to inter-bank level. The average duration of the financing ranges from one to four years. Measurement is at amortized cost.

The present values of the future minimum lease payments from sale-and-leaseback transactions entered into to refinance the financial services business break down as follows:

€ million	31/7/2009	31/7/2008
Due within one year	**66**	57
Due in one to five years	**47**	45
	113	102

Other financial liabilities include liabilities from put options of minority shareholders of €146 million (prior year: €66 million).

In connection with the acquisition of shares of Volkswagen AG, 83,871,000 shares (prior year: 0 shares) of Volkswagen AG were pledged for liabilities to banks. This was done to secure the claims of the creditor banks and is related to the duration of the liability.

Receivables from customer financing and the leasing business of €16,439 million (prior year: €1,132 million) are used as collateral for the asset-back-securities transactions. Collateral totaling €598 million (prior year: €0 million) was provided for financial liabilities. These are generally deposits, fixed-term deposits, assignments and other items.

[30] Non-current and current other liabilities

As of the balance sheet date, other liabilities break down as follows:

€ million	31/7/2009	31/7/2009 Porsche without VW	31/7/2008
Advance payments received on account of orders	**1,146**	**24**	127
Other tax liabilities	**1,760**	**145**	96
Liabilities relating to social security	**283**	**2**	3
Personnel liabilities	**1,911**	**106**	2
Other liabilities			
to affiliated companies	**8**	**0**	0
to joint ventures	**14**	**0**	0
Derivative financial instruments marked to market	**3,788**	**1,995**	5,696
Sundry liabilities	**3,963**	**57**	113[1]
Deferred income	**1,062**	**70**	60
	13,935	**2,399**	6,097
thereof non-current	**3,074**	**2,308**	47
thereof current	**10,861**	**91**	6,050

[1] The income tax liabilities disclosed within other liabilities as of 31 July 2008 are presented separately in the balance sheet as of 31 July 2009.

The item "derivative financial instruments marked to market" mainly comprises forward exchange transactions and stock options. The non-current other liabilities contain derivative financial instruments totaling €862 million (prior year: €33 million).

Other liabilities excluding derivative financial instruments have a carrying amount of €10,147 million (prior year: €401 million). This total breaks down into other financial liabilities with a carrying amount of €2,285 million (prior year: €91 million) and other non-financial liabilities with a carrying amount of €7,861 million (prior year: €330 million). The non-financial other liabilities include in particular advance payments on account of orders, other tax liabilities and deferred income.

The negative fair values of derivatives relate to the following items:

€ million	31/7/2009	31/7/2008
Transactions for hedging against:		
foreign currency risk from assets using fair value hedges	**79**	0
foreign currency risk from liabilities using fair value hedges	**132**	1
interest rate risk using fair value hedges	**265**	0
interest rate risk using cash flow hedges	**269**	0
foreign currency and price risk from future cash flows (cash flow hedges)	**513**	3
Hedging transactions	**1,258**	4
Stock price derivatives	**1,893**	5,679
Other derivatives	**637**	13
Liabilities from derivatives without hedging relationship	**2,530**	5,692
	3,788	5,696

As a result of portfolio hedging, negative fair values of €151 million (prior year: €0 million) were recognized from transactions for hedging against interest rate risk (fair value hedges).

The sale of significant volumes of stock options shortly after the balance sheet date has led Porsche to measure the stock options at their selling price as the best indicator of fair value. The cumulative price difference between the basic strike price of the stock options and the quoted stock price of the secured shares as of the balance sheet amounted to €9,212 million.

Further details on derivative financial instruments as a whole are given in note [31].

Notes on the other disclosures

[31] Financial risk management and financial instruments

1. Hedging guidelines and financial risk management principles

The principles and responsibilities for managing and controlling the risks that could arise from financial instruments are defined by the executive board and monitored by the supervisory board. Internal guidelines exist within the Porsche group which clearly defines the risk management 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 trade and settlement. The guidelines are based on the statutory requirements as well as the minimum standards for risk management at banks. The central treasury departments of the Porsche and Volkswagen subgroups identify, analyze and monitor the risks throughout the group using suitable information systems. Moreover, transactions may only be concluded in permitted financial instruments, only with approved counterparties and to the admissible extent.

The guidelines and the supporting systems are checked regularly and brought into line with current market and product development. The group manages and monitors these risks primarily via its business operations and financing activities and, where necessary, by using derivative financial instruments. The Porsche group mainly uses derivative financial instruments for the management of currency, interest, commodity and fund price risks. Without using such instruments, the group would be exposed to higher financial risks.

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 positive fair values of claims against them and the irrevocable credit commitments. The default risk of financial assets is taken into account through adequate valuation allowances considering collateral that has already been provided. Various measures are taken into account to reduce the default risk for primary financial instruments, such as requesting collateral or guarantees and credit ratings based on information from credit rating agencies and historical data. The contracting partners for monetary investments, capital investments and financial instruments are national and international counterparties. Financial derivatives are used by the subgroups in accordance with standardized guidelines, and are continuously monitored.

Due to the worldwide spread of business activities and the resulting diversification, there was no major concentration of risk in the past fiscal year.

It was decided not to present the non-significant classes and a break-down of the securities class which in the prior year contained a small amount of securities held to maturity. A credit rating is not performed for the equity instruments.

The table below shows the credit and default risk of financial assets by gross carrying amount:

€ million	Neither past due nor impaired	Past due and not impaired	Impaired	Total
31/7/2009				
Trade receivables	**5,207**	**1,291**	**261**	**6,759**
Receivables from financial services	**57,996**	**3,802**	**1,006**	**62,804**
Other financial receivables	**3,321**	**123**	**124**	**3,568**
Securities	**3,436**	**0**	**3**	**3,439**
Cash and cash equivalents	**25,036**	**0**	**0**	**25,036**
	94,996	**5,216**	**1,394**	**101,606**
31/7/2008				
Trade receivables	199	38	9	246
Receivables from financial services	1,739	29	41	1,809
Other financial receivables	1,455	0	1	1,456
Securities	4,397	0	12	4,409
Cash and cash equivalents	6,990	0	0	6,990
	14,780	67	63	14,910

There are no overdue financial instruments measured at fair value in the Porsche group.

€ million	**2008/09**	2007/08
Valuation allowances as of 1 August	**48**	46
Exchange differences	**1**	-3
Additions	**841**	20
Utilization	**24**	12
Reversal	**2**	3
Valuation allowances as of 31 July	**864**	48

The valuation allowances were mainly related to the credit risks associated with financial services. For materiality reasons, a break-down of the valuation allowances on these receivables has not been presented.

Credit rating of the gross carrying amounts of financial assets that are neither past due nor impaired break down as follows:

€ million	Risk class 1	Risk class 2	Total
31/7/2009			
Trade receivables	**5,207**	**0**	**5,207**
Receivables from financial services	**50,351**	**7,645**	**57,996**
Other financial receivables	**3,320**	**1**	**3,321**
Securities	**2,253**	**0**	**2,253**
Cash and cash equivalents	**25,036**	**0**	**25,036**
	86,167	**7,646**	**93,813**
31/7/2008			
Trade receivables	199	0	199
Receivables from financial services	1,613	126	1,739
Other financial receivables	1,455	0	1,455
Securities	4,266	0	4,266
Cash and cash equivalents	6,990	0	6,990
	14,523	126	14,649

The Porsche group performs a credit assessment of borrowers in all loan and lease agreements, using scoring systems for the high-volume business and rating systems for corporate customers and receivables from dealer financing. The receivables rated as good are contained in risk class 1. Receivables from customers whose credit rating is not good, but have not yet defaulted, are contained in risk class 2.

Maturity analysis of the gross carrying amount of financial assets that are past due and not impaired:

	Past due by			
€ million	Up to 30 days	30 to 90 days	More than 90 days	Total
31/7/2009				
Trade receivables	**706**	**339**	**246**	**1,291**
Receivables from financial services	**2,504**	**1,267**	**31**	**3,802**
Other financial receivables	**21**	**27**	**75**	**123**
Securities	**0**	**0**	**0**	**0**
Cash and cash equivalents	**0**	**0**	**0**	**0**
	3,231	**1,633**	**352**	**5,216**
31/7/2008				
Trade receivables	19	11	8	38
Receivables from financial services	25	3	1	29
Other financial receivables	0	0	0	0
Securities	0	0	0	0
Cash and cash equivalents	0	0	0	0
	44	14	9	67

Carrying amounts of financial instruments that would otherwise be past due or impaired whose terms have been renegotiated break down as follows:

€ million	31/7/2009	31/7/2008
Receivables from financial services	**0**	0
Trade receivables	**1,162**	0
Other receivables	**0**	0
Securities	**0**	0
Cash and cash equivalents	**0**	0
	1,162	0

Financial instruments that would otherwise be past due or impaired whose terms have been renegotiated are measured at amortized cost.

Collateral of €226 million (prior year: €0 million) exists which can be used in the absence of default by the owner of the collateral. It is provided in the form of bank warranties, bank guarantees, recourse rights and, on a small scale, mortgages. Collateral that met the recognition criteria under IFRSs was recognized in the balance sheet in the amount of €173 million in the fiscal year (prior year: €0 million). This mainly relates to vehicles and other financial assets that are usually converted into liquid assets. Collateral of €45 million (prior year: €37 million) has been provided for past due but not impaired receivables and for impaired receivables. In addition, title is retained in some vehicle sales for trade receivables which are past due but not impaired or which are impaired.

3. Liquidity risk

The solvency and liquidity of the Porsche group is continuously monitored by rolling liquidity planning, a cash liquidity reserve, guaranteed credit lines and globally available debt issuance programs (securitizations). Reference is also made to explanations on the management of liquidity risks at subgroup and overall group level presented in the risk report as part of the group management report.

The liquid assets consist of cash and cash equivalents as well as highly liquid securities.

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

€ million	Remaining contractual maturities Within one year	Within one to five years	In more than five years	Total	Porsche without VW
31/7/2009					
Financial liabilities	**46,984**	**41,469**	**5,483**	**93,936**	**17,048**
Trade payables	**11,541**	**7**	**1**	**11,549**	**720**
Other financial liabilities	**2,974**	**1,791**	**76**	**4,841**	**29**
Derivative financial instruments	**36,421**	**34,105**	**64**	**70,590**	**5,873**
	97,920	**77,372**	**5,624**	**180,916**	**23,670**
31/7/2008					
Financial liabilities	13,103	2,945	1,349	17,397	17,397
Trade payables	578	3	0	581	581
Other financial liabilities	87	4	0	91	91
Derivative financial instruments	7,854	136	1	7,991	7,991
	21,622	3,088	1,350	26,060	26,060

The derivatives include all cash outflows from derivative financial instruments with a negative and positive carrying amount. They are mostly currency hedging derivatives for which gross settlement has been agreed. If gross settlement has been agreed to, payments are always offset by corresponding cash inflows. These cash inflows are not shown in the maturity analysis. If the cash inflows were considered, the cash outflows presented in the maturities analysis would be significantly lower.

The cash outflows from irrevocable credit commitments classified by contractual maturities are presented in note [33].

4. Market risk

4.1 Hedging policy and financial derivatives

During the course of its general business activities, the Porsche group is exposed to foreign currency, interest rate, commodity price, share price and fund price risk. The risks result from foreign currency transactions in the course of ordinary operations, from financing, from financial investing activities and in connection with the purchasing of commodities. It is company policy to exclude or limit these risks by entering into hedge transactions. All necessary hedging activities are arranged or coordinated by the group treasury departments.

The nature and volume of hedging transactions is generally chosen with regard to the hedged item. Hedging transactions may only be concluded to hedge existing hedged items or forecast transactions. Only financial instruments approved by type and volume may be entered into with approved counterparties.

The Porsche group uses two different methods to present market risk from primary and derivative financial instruments in accordance with IFRS 7. The currency and interest rate risks in financial services are valued using the value-at-risk model, while market price risks in the automotive segment for interest rate, currency hedges and the investment risks associated with asset management largely are calculated using a sensitivity analysis, and a value-at-risk model is used for share price risks. In the value-at-risk calculation, a historical simulation is used to determine the potential change in market price. The sensitivity analysis calculates the effect on equity and profit by modifying risk variables within the respective market risk. The value at risk shows the potential future loss of a certain portfolio over a predefined period of time (retention period) with certain probabilities which are not likely to be exceeded. The degree of risk does not, however, say anything about the distribution and anticipated loss, if it is actually exceeded.

4.2 Porsche subgroup

4.2.1 Market risk in the automotive division

4.2.1.1 Foreign currency risk

Currency risks from current receivables and liabilities as well as from highly probable forecast transactions are, hedged with forward exchange contracts, currency options or combined options where this makes economic sense. Hedges for value fluctuations in future cash flows from highly probable forecast transactions mainly relate to planned revenues in foreign currency. As of 31 July 2009, currency hedges are in place in particular for the major currencies US dollar, pound sterling and Japanese yen.

For the sensitivity analyses within the meaning of IFRS 7, all non-functional currencies in which the Porsche subgroup enters into financial instruments are considered as relevant risk variables. If the functional currencies concerned had appreciated by 10% higher compared to the other currencies as of 31 July 2009, the hedge reserve in equity would have been €688 million higher (prior year: €967 million). If the functional currencies concerned had depreciated 10% compared to the other currencies as of 31 July 2009, the hedge reserve in equity would have been €555 million lower (prior year: €777 million). If the functional currencies concerned had appreciated by 10% higher compared to the other currencies as of 31 July 2009, profit would have been €33 million higher (prior year: €117 million lower). If the functional currencies concerned had depreciated by 10% compared to the other currencies as of 31 July 2009, profit would have been €80 million lower (prior year: €23 million higher).

4.2.1.2 Interest rate risk

The interest rate risk for the automotive division results from changes in market interest rates. This particularly affects the current interest result for call money and medium- and long-term variable-interest receivables and liabilities, but can equally also impact on the market value recognized for fixed-interest receivables and liabilities. Interest rate swaps and interest contracts are used as hedges depending on the market situation.

Interest rate risk within the meaning of IFRS 7 is calculated for the automotive division using sensitivity analyses. The effects of the risk variables in the form of market rates of interest on the financial result and on equity are presented. If market interest rate had been 100 base points higher as of 31 July 2009, the reserve in equity would have been €9 million lower (prior year: €3 million). If market interest rate had been valued 100 base points lower as of 31 July 2009, the reserve in equity would have been €0 million higher (prior year: €3 million). If market interest rate had been valued 100 base points higher as of 31 July 2009, the profit would have been €60 million lower (prior year: €8 million higher). If market interest rate had been valued 100 base points lower as of 31 July 2009, the profit would have been €60 million higher (prior year: €6 million lower).

4.2.1.3 Stock price risk

Stock price derivatives were entered into at the Porsche subgroup in connection with the originally planned step-up of the share in Volkswagen AG. These are stock options (prior year: to a lesser extent also equity forward contracts). Based on a historical simulation of the last 360 days and a retention period of 10 days and confidence level of 95% and based on fair values, the value at risk for stock price derivatives amounted to €1,237 million (prior year: €1,834 million).

As of the balance sheet date, Porsche SE was in the latter stage of negotiations about the sale of significant volumes of stock options. The sale shortly after the balance sheet date led to a significant decrease in the value at risk from stock price hedging. Taking into account the sale that took place after the balance sheet date, it amounts to €180 million.

4.2.1.4 Investment risk from asset management

Porsche has invested part of its liquid assets in special securities funds. Here too, Porsche's investment policy complies with the basic principle that investment security takes clear precedence over any attempt to secure an unusually high return on investment. With a retention period of 30 days and a confidence level of 95%, the value at risk for the investment risk came to €1 million (prior year: €6 million).

4.2.2 Market risk in the financial services division

In the financial services division, the interest risk is minimized by using suitable business models or interest swaps to offset the burdens of financing and refinancing as far as possible. In this segment, there is therefore no material risk due to interest rate fluctuations. The business activity of the financial service companies takes place in the local currency area, which is why the currency risk is not material.

4.3 Volkswagen subgroup

4.3.1 Market risk in the automotive division

4.3.1.1 Foreign currency risk

Currency risks from current receivables and liabilities as well as from highly probable forecast transactions are hedged with forward exchange contracts, currency options, currency swaps and cross-currency swaps where this makes economic sense. These transactions relate to the exchange rate hedging of all payments covering general business activities that are not made in the functional currency of the respective group companies. The principle of matching currencies applies to the group's financing activities. Hedges for value fluctuations in future cash flows from highly probable forecast transactions mainly relate to planned revenues in foreign currency. As of 31 July 2009, currency hedges are in place in particular for the major currencies US dollar, pound sterling, Mexican peso, Russian rouble, Swedish krone, Czech koruna, Swiss franc and Japanese yen.

All non-functional currencies in which the Volkswagen subgroup 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% against the other currencies on 31 July 2009, the exchange rates shown would have resulted in the following effects on the hedging reserve in equity and on profit before tax.

	31/7/2009	
	+10%	–10%
Exchange rate		
EUR/foreign currency		
Hedging reserve	2,054	–1,645
Profit/loss before tax	–461	246
GBP/USD		
Hedging reserve	66	–66
Profit/loss before tax	1	0
USD/MXN		
Hedging reserve	31	–31
Profit/loss before tax	–6	6
CZK/USD		
Hedging reserve	50	–50
Profit/loss before tax	–3	3
Other Non-EUR /		
foreign currency		
Hedging reserve	82	–82
Profit/loss before tax	–26	26

4.3.1.2 Interest rate risk

The interest rate risk for the automotive division results from changes in market interest rates. This particularly affects the current interest result for call money and medium- and long-term variable-rate receivables and liabilities, but can equally also impact on the market value recognized for fixed-interest receivables and liabilities. Interest rate swaps, cross-currency interest swaps and other interest contracts are entered into to hedge against this risk under fair value or cash flow hedges, depending on market conditions. Intra-group financing arrangements are normally structured to match the maturities of their refinancing.

Interest rate risk within the meaning of IFRS 7 is calculated for the automotive division using sensitivity analyses. The effects of the risk variables in the form of market rates of interest on the financial result and on equity are presented. If market interest rate had been valued 100 base points higher as of 31 July 2009, the reserve in equity would have been €10 million lower. If market interest rate had been valued 100 base points lower as of 31 July 2009, the reserve in equity would have been €13 million higher. If market interest rate had been valued 100 base points higher as of 31 July 2009, the profit would have been €5 million lower. If market interest rate had been valued 100 base points lower as of 31 July 2009, the profit would have been €1 million higher.

4.3.1.3 Investment risk from asset management

The Volkswagen subgroup has invested part of its liquid assets in special securities funds. These are subject in particular to a stock and bond risk which can arise from fluctuations in market prices, stock exchange indices and market rates of interest. The risks are counteracted in a first step by a broad diversification of products, issuers and regional markets. In addition, exchange rate hedges are used in the form of futures contracts when market conditions are appropriate. If stock prices as of 31 July 2009 had been 10% higher (lower), equity would have been €54 million higher (lower).

4.3.1.4 Commodity price risk

Commodity price risk in the automotive division results from price fluctuations and the availability of non-ferrous metals and precious metals as well as of coal and CO_2 certificates. Forward transactions are entered into to limit these risks. Hedge accounting in accordance with IAS 39 is applied to the hedging of commodity risk associated with aluminum and copper.

Commodity price risk within the meaning of IFRS 7 is presented using sensitivity analyses. These show the effect on profit and equity of changes in risk variables in the form of commodity prices.

If the commodity prices of the hedged metals had been 10% higher (lower) as of 31 July 2009, profit would have been €49 million higher (lower). If the commodity prices of the hedging transactions accounted for using hedge accounting had been 10% higher (lower) as of 31 July 2009, equity would have been €74 million higher (lower).

4.3.2 Market risk in the financial services divisions

Exchange rate risk in the financial services division is mainly attributable to assets that are not denominated in the functional currency and from refinancing within operating activities. Interest rate risk relates to refinancing without matching maturities and the varying interest rate elasticity of individual asset and liability items. The risks are limited by the use of currency and interest rate hedges.

Regarding the fair value portfolio hedge fixed-rate receivables and liabilities are hedged against changes in the risk-free base rate. The assets and liabilities included in this hedging strategy are measured at fair value for the remaining term. The resulting effects in the income statement are offset by the corresponding gains and losses on the interest rate hedging instruments.

The value at risk is determined using a historical simulation based on the last 250 trading days and with a retention period of 10 days as well as a confidence level of 99% and the potential change in financial instruments if interest and exchange rates vary.

As of 31 July 2009, the value at risk for interest rate risk was €46 million and €99 million for foreign currency risk.

The entire value at risk for interest rate and foreign currency risk in the financial services division was €108 million.

5. Methods for monitoring hedge effectiveness

At the inception of a hedge relationship, the group formally designates and documents the hedge relationship to which the group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows. At the Porsche group, the effectiveness of hedges is permanently monitored both prospectively and retrospectively. Both the critical terms match method and statistical methods in the form of regression analysis are used to prospectively measure effectiveness. Retrospective analysis of effectiveness uses effectiveness tests in the form of the dollar offset method or a regression analysis.

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.

Where regression analysis is used, the change in value of the hedged item is presented as an independent variable, and that of the hedging instrument as a dependent variable. Currency transactions are classified as effective hedge relationships if they have sufficient coefficients of determination and slope factors.

Notional amount of derivative financial instruments:

€ million	Notional amount Due within one year	 Due in one to five years	 Due in more than five years	**Total notional amount 31 July 2009**	Total notional amount 31 July 2008
Currency derivatives	25,441	29,832	50	**55,323**	15,816
Interest derivatives	17,166	39,134	2,114	**58,414**	6,203
Commodity futures contract	463	867	33	**1,363**	0
Stock price derivatives with positive carrying amount	8,575	0	0	**8,575**	26,019
Stock price derivatives with negative carrying amount	8,575	0	0	**8,575**	31,009
	60,220	69,833	2,197	**132,250**	79,047

As a result of the sale of stock options shortly after the balance sheet date, the notional amounts of the stock price derivatives both on the assets and liabilities side decrease to €1,579 million.

The hedged items in cash flow hedges are expected to be realized largely in accordance with the maturity buckets of the hedges reported in the table. Market values of the derivatives are determined using market data on the balance sheet date and suitable valuation methods. The table contains the nominal volume of the derivative financial instruments both on the assets and the liabilities side.

6. Measurement of financial instruments

The market value of financial instruments is determined by reference to stock market listings, reference prices or generally accepted calculation models such as the discounted cash flow method. The following term structure of interest rates was used where appropriate:

	EUR	USD	GBP	MXN	AUD
Interest rate for 6 months	1.13-1.31	0.93-1.11	1.10-1.41	4.70	3.81
Interest rate for 1 year	1.35-1.50	1.50-1.61	1.42-1.70	4.74	4.40
Interest rate for 5 years	2.81-2.90	2.90-2.99	3.67	7.17	5.71
Interest rate for 10 years	3.56-3.65	3.69-3.85	4.14-4.24	8.14	6.09
Interest rate for 15 years	3.94-4.05	3.98-4.13	4.36-4.46	–	6.12

	RUB	CHF	JPY	CAD	SEK	CZK
Interest rate for 6 months	12.38-13.00	0.47-0.51	0.64-0.70	1.10	1.33	2.30
Interest rate for 1 year	11.75-12.76	0.77-0.81	0.83-0.87	1.60	1.60	2.58
Interest rate for 5 years	11.85-12.28	1.70-1.88	0.89-0.92	2.76	2.84	3.47
Interest rate for 10 years	12.05-12.30	2.52-2.72	1.39-1.49	3.60	3.72	3.84
Interest rate for 15 years	12.30	2.52-3.10	1.71-1.84	4.25	–	4.15

The following table shows the reconciliation of the items of the balance sheet to the classes of financial instruments, as well as the comparison of carrying amount and fair value:

	€ million	Measurement category under IAS 39	**Carrying amount 31/7/2009**	**Fair value 31/7/2009**	Carrying amount 31/7/2008	Fair value 31/7/2008
Assets	Other financial assets	AfS	**678**	**678**	64	64
	Other loans	LaR	**2**	**2**	0	0
	Receivables from long-term development contracts	n/a	**8**	**8**	28	28
	Trade receivables	LaR	**6,707**	**6,707**	240	240
	Receivables from financial services	LaR/IAS 17	**62,152**	**62,510**	1,773	1,787
	Derivative financial instruments		**4,567**	**4,567**	18,330	18,330
	Hedge accounting	n/a	**3,228**	**3,228**	826	826
	Currency derivatives	HfT	**467**	**467**	188	188
	Interest derivatives	HfT	**15**	**15**	15	15
	Stock price derivatives	HfT	**774**	**774**	17,301	17,301
	Commodity futures contract	HfT	**83**	**83**	0	0
	Other financial receivables	LaR	**3,411**	**3,541**	1,456	1,456
	Securities		**3,437**	**3,437**	4,404	4,404
	Measured at fair value	AfS/HfT/FVtPL	**3,437**	**3,437**	4,373	4,373
	Measured at amortized cost	HtM	**0**	**0**	31	31
	Cash and cash equivalents	LaR	**25,036**	**25,036**	6,990	6,990
Equity and liabilities	Financial liabilities		**93,621**	**94,528**	16,386	16,269
	Financial liabilities	FLAC	**91,440**	**92,343**	14,143	14,019
	Financial liabilities	n/a	**2,181**	**2,185**	2,243	2,250
	Liabilities from long-term development contracts	n/a	**2**	**2**	5	5
	Trade payables	FLAC	**11,223**	**11,223**	581	581
	Other financial liabilities	FLAC	**2,285**	**2,363**	91	91
	Derivative financial instruments		**3,788**	**3,788**	5,696	5,696
	Hedge accounting	n/a	**1,258**	**1,258**	4	4
	Currency derivatives	HfT	**624**	**624**	7	7
	Interest derivatives	HfT	**13**	**13**	6	6
	Stock price derivatives	HfT	**1,893**	**1,893**	5,679	5,679

The market value of receivables from financial services is determined using the current market interest rates as of the balance sheet date instead of the internal interest rate.

The market value of the financial derivatives is disclosed in the balance sheet under other receivables and assets or other liabilities.

The receivables from financial services contain assets of €18,832 million (prior year: €1,326 million) which are valued in accordance with IAS 17.

The carrying amounts are allocated to the respective measurement categories as follows:

€ million	Carrying amount 31/7/2009	31/7/2008
Financial assets at fair value through profit or loss	**1,411**	17,974
Designated upon initial recognition (FVtPL)	**32**	431
Held for trading (HfT)	**1,379**	17,543
Held to maturity investments (HtM)	**0**	31
Loans and receivables (LaR)	**78,476**	9,133
Available-for-sale financial assets (AfS)	**4,043**	3,967
Financial liabilities at fair value through profit or loss	**2,530**	5,692
Designated upon initial recognition (FVtPL)	**0**	0
Held for trading (HfT)	**2,530**	5,692
Financial liabilities measured at amortized cost (FLAC)	**104,948**	14,815

The net gains or losses of the respective measurement categories are as follows:

€ million	Net gains or losses 2008/09	2007/08
Financial instruments at fair value through profit or loss	**–2,285**	6,608
Designated upon initial recognition (FVtPL)	**–57**	1
Held for trading (HfT)	**–2,228**	6,607
Held to maturity investments (HtM)	**1**	2
Loans and receivables (LaR)	**1,599**	213
Available-for-sale financial assets (AfS)	**–54**	79
Financial liabilities measured at amortized cost (FLAC)	**–2,595**	–360

The net gains or losses from financial instruments in the measurement categories according to IAS 39 are made up of interest, the fair value measurement of financial instruments, currency translation gains or losses, impairments and gains on disposal. Interest also includes interest income and expenses from the financial services division's loans and leasing business. The financial instruments reported at fair value do not include dividend income.

The following table shows gains and losses resulting from hedges.

€ million	2009	2008
Hedging instruments used in fair value hedges	**–362**	27
Hedged items used in fair value hedges	**307**	–27
Ineffective portion of cash flow hedges	**7**	0

The ineffective portion of cash flow hedges represents the income and expenses from changes in the fair value of hedging instruments exceeding the change in fair value of hedged items, for which, however, the effectiveness within the acceptable t range of 80% to 125% could be demonstrated. Such income or expenses are recognized directly in other operating income and other operating expenses.

In the course of the fiscal year, €164 million expenses (prior year: €272 million income) was transferred from the cash flow hedge reserve to other operating income and expenses, and an expense of €10 million (prior year: €0 million) was transferred to the financial result. These figures also contain transfers from the cash flow hedge reserve for foreign currency hedges which were no longer accounted for as cash flow hedges due to the lapse of the hedged item. These have a notional amount of €2,870 million (prior year: €133 million). This contains a nominal volume of €979 million due in more than one year. The remaining amount fell due in the fiscal year 2008/09 or is due in the short term. Losses of €9 million (prior year: €12 million) have been reversed from the reserve for available-for-sale securities. The addition to the reserve for available-for-sale securities resulted in an increase of €15 million (prior year: €38 million decrease).

For cash flow hedge accounting purposes, hedged future cash flows of the following five fiscal years are considered.

Realization of the gain or loss and cash flow generally fall within the same period.

[32] Contingent liabilities

€ million	**31/7/2009**	**31/7/2009 Porsche without VW**	31/7/2008
Guarantees	**174**	0	0
Warranties	**51**	29	27
Collateral for third-party liabilities	**232**	167	130
Other contingent liabilities	**796**	0	0

No provisions were recognized for contingent liabilities as the occurrence of the risk is not probable.

The trust assets and liabilities not included in the consolidated balance sheet of the saving and trust companies belonging to the South American subsidiaries of the Volkswagen subgroup amounted to €632 million (prior year: €0 million). These are included in other contingent liabilities.

[33] Other financial obligations

€ million	Payable 2010	Payable 2011-2013	Payable from 2014	**Total 2008/09**	**Porsche without VW 2008/09**	Total 2007/08
Purchase commitments in respect of						
Property, plant and equipment	1,973	808	11	**2,792**	**324**	423
Intangible assets	207	151	0	**358**	**190**	119
Investment property	2	0	0	**2**	**0**	0
Obligations from						
irrevocable credit commitments	1,844	0	0	**1,844**	**0**	0
loan commitments to subsidiaries	109	0	0	**109**	**0**	0
long-term leasing and rental contracts	359	943	1,492	**2,794**	**128**	91
Sundry other financial obligations	1,886	937	4	**2,827**	**21**	17

Sundry other financial obligations contain in particular obligations from the future acquisition of shares of LeasePlan Corporation N.V. (please refer to note [34]) and include order volumes from the acquirer of the gedas group, agreed to by contract for the coming years.

Rent and leasing payments recorded as an expense in the fiscal year total €310 million (prior year: €49 million). The leases also contain renewal and purchase options as well as escalation clauses.

Litigation

Porsche SE or any of its group companies are not party to any legal or arbitration proceedings that may have a material effect on the economic position of the group, or have had such an effect within the last two years. Legal proceedings are expected for the tax treatment of part of the stock option gains. Income tax provisions have been recognized for possible obligations arising from this litigation. Appropriate provisions are established by the group company concerned for any potential costs arising from other legal or arbitration proceedings pending, or the company has adequate insurance cover.

[34] Subsequent events

On 13 August 2009 and 11 September 2009, the supervisory board of Porsche SE approved the basic agreement negotiated between the executive boards of Porsche SE and of Volkswagen AG, the workforce representatives of both companies and the ordinary shareholders of Porsche SE, describing the stages of creating an integrated automotive group. This basic agreement provides in a first step an indirect, 42% investment from Volkswagen AG in Porsche AG, for which the former will implement a capital increase in the first half of 2010. Porsche SE plans to raise capital by issuing new ordinary and preference shares in the first half of 2011. In addition, the shareholders of Volkswagen AG will be presented an amendment to the articles of association to vote on at the next annual general meeting. This will establish the State of Lower Saxony's right to appoint two members of the supervisory board of Volkswagen AG. A further proposal to be decided at the annual general meeting is to confirm the regulation already included in the articles of association that requires an 80% majority on resolutions for which the German stock corporation law requires at least a three-quarters majority of the share capital represented. The planned amendment of the articles of association with respect to the right of the State of Lower Saxony to appoint two members of the supervisory board of Volkswagen AG will not allow that Porsche SE continues to consolidate Volkswagen as a subgroup. The necessary deconsolidation would would not affect the liquidity situation, but it would have a sustainable effect on the consolidated financial statements of Porsche SE. Volkswagen AG would again be accounted for as an associate in the consolidated financial statements of Porsche SE. In accordance with current IFRS rulings, the investment would be recognized in the balance sheet based on the quoted stock price of Volkswagen AG's ordinary shares at the time of deconsolidation. The currently observable quoted stock price of the ordinary shares of Volkswagen AG would result in a significant deconsolidation loss.

The common target is the merger of Porsche SE with Volkswagen AG during 2011, provided the legal prerequisites for the merger are fulfilled.

Should the merger not take place, the basic agreement provides that Porsche SE has a put option for the remaining indirect 58% share in Porsche AG, and Volkswagen AG has a call option for this share. As a modification to the basic agreement, it is planned in a first step for Volkswagen AG to obtain 49.9% (instead of 42%) in Porsche AG in return for a cash contribution of €3.9 billion. The percentages covered by the put and call options decrease respectively.

Once the details of the implementation agreements which stipulate the steps to be undertaken for the merger of Porsche SE and Volkswagen AG have been clarified, Prof. Dr. Martin Winterkorn and Hans Dieter Pötsch will take office as CEO and members of the executive board of Porsche SE respectively. They will perform their new functions in addition to their current roles on the executive board of Volkswagen AG.

On 14 August 2009, Qatar Holding LLC signed an agreement to contribute €265 million to the syndicated loan of up to €12.5 billion. In August Porsche SE also sold a significant portion of the cash-settled hedging derivatives relating to the shares of Volkswagen AG. The sale released collateral of around €1.4 billion that had been pledged in the course of hedging transactions. This improved the Porsche group's liquidity considerably.

Qatar Holding LLC also acquired 10% of Porsche SE's ordinary shares in August 2009.

Subsequent to the balance sheet date, Porsche SE began negotiations for the sale of cash-settled stock options that were not yet intended for sale on 31 July 2009 on about 3% of the ordinary shares of Volkswagen AG.

On 18 August 2009, Porsche SE signed a hold harmless agreement in favor of the Association of German Banks (Bundesverband deutscher Banken e.V.) for any losses which that association might suffer from measures pursuant to Art. 2 (2) of the statutes of the deposit guarantee fund agency in favor of Volkswagen Bank GmbH. For internal purposes, Volkswagen AG in turn has agreed to hold Porsche SE harmless from any obligations resulting therefrom.

In the course of criminal investigations by the state prosecutor into alleged market manipulation and infringement of publication duties by former members of the executive board and (with regard to alleged manipulation of the market) another officer of Porsche SE, the business premises of Porsche SE and Porsche AG at their headquarters in Zuffenhausen were investigated on 20 August 2009. Both companies deny the public prosecutor's allegations while cooperating with investigations and providing their full support to the investigating officers in order to clarify the matter as soon as possible.

Talks with the syndicate of banks commenced at the end of August 2009. The target of these talks is to renegotiate the existing syndicated loan at more favorable terms after finalization of the basic agreement.

In fiscal year 2008/09, the Porsche group agreed to repurchase a part of the hybrid bond issued to institutional investors in December 2007 at total notional amount of €1.0 billion. The repurchase, which was executed on 31 August 2009, led to a cash outflow of €0.5 billion.

In the course of the acquisition of all shares in LeasePlan Corporation N.V., Amsterdam and the subsequent sale of 50% of the shares to two co-investors, Volkswagen AG reached an agreement with the co-investors on put options which entitle the latter to sell their shares to Volkswagen AG. On 22 December 2008, the co-investors announced that they would make use of their put options. In September 2009, Volkswagen agreed with the co-investors to acquire shares in the fiscal year 2009/10 for a purchase price of approx. €1.3 billion. The planned simultaneous transfer of the shares to a new co-investor requires the approval of the oversight authorities.

[35] Segment reporting

The objective of the segment reporting is to provide information about the main operations of the group. In accordance with IFRS 8 (Operating Segments), the group's activities are broken down by operating segments. Segmentation is based on the internal reporting and organizational structure. Segmentation by operating segments shows activities of the Porsche and Volkswagen business segments. The segments comprise the development, production and sale of vehicles of the respective subgroups and their financing and leasing business for customers and dealers. The Volkswagen business segment comprises all activities of the Volkswagen group. The other group companies, including Porsche SE, are allocated to the Porsche business segment.

Internal controlling and reporting

Segment reporting is generally based on the same accounting policies as the consolidated financial statements. Measurement methods have not changed in comparison to earlier periods. The executive board of Porsche Automobil Holding SE is responsible for allocating resources and assessing the earnings power of the reportable segments. The segments are managed using profit before the financial result and income taxes.

Intersegment receivables and liabilities, provisions, income and expenses as well as intersegment profits and losses are eliminated in the column "reconciliation". This column also includes the items not allocable to the individual segments. The business relations between the entities of the Porsche group are generally based on prices as agreed with third parties.

Sales to third-parties show the share of each operating segment in the Porsche group's revenue. Intersegment sales revenue show the sales effected between the segments. Earnings before financial income and income tax constitute the segment result. The material expenses / income include the results from stock options. The non-cash expenses included therein amounts to €10,283 million and are allocable to the Porsche segment (prior year: non-cash income of €2,910 million). Segment assets include all assets except for income tax claims and assets where the associated income and expenses are allocable to the financial result. The amortization and depreciation and additions to non-current assets relate to property, plant and equipment, intangible assets, investment property and leased assets.

Segment information by business division

€ million	Porsche 2008/09	Porsche 2007/08
Sales to third parties	**6,564**	7,467
Intersegment sales revenue	**43**	0
Segment sales revenue	**6,607**	7,467
Segment result	**–1,751**	7,710
Segment assets	**9,029**	26,272
Material items of income	**53,653**	19,256
Material items of expense	**56,116**	12,423
Amortization and depreciation	**637**	569
Impairments	**0**	0
Additions to non-current assets[1]	**1,716**	1,362

[1] intangible assets, property, plant and equipment, leased assets and investment property

The figures for the segments are reconciled to the corresponding group values as follows:

€ million	2008/09	2007/08
Segment result (operating profit)		
Segment total	**–3,676**	7,710
Consolidation	**19**	0
Profit before financial result	**–3,657**	**7,710**
Financial result	**–748**	859
Group profit before tax	**–4,405**	**8,569**
Segment assets		
Segment total	**172,359**	26,272
Interest-bearing assets	**37,232**	19,118
Current and deferred taxes	**4,767**	187
Other assets not allocated	**64**	0
Consolidation	**–857**	0
Group assets	**213,565**	**45,577**

Volkswagen		Segment total		Reconciliation		Porsche group	
2008/09	2007/08	**2008/09**	2007/08	**2008/09**	2007/08	**2008/09**	2007/08
50,517	0	**57,081**	7,467	**0**	0	**57,081**	7,467
330	0	**373**	0	**–373**	0	**0**	0
50,847	0	**57,454**	7,467	**–373**	0	**57,081**	7,467
–1,925	0	**–3,676**	7,710	**19**	0	**–3,657**	7,710
163,330	0	**172,359**	26,272	**41,206**	19,305	**213,565**	45,577
0	0	**53,653**	19,256	**0**	0	**53,653**	19,256
0	0	**56,116**	12,423	**0**	0	**56,116**	12,423
5,179	0	**5,816**	569	**0**	0	**5,816**	569
353	0	**353**	0	**0**	0	**353**	0
8,613	0	**10,329**	1,362	**0**	0	**10,329**	1,362

Segment information by region

The segment information by region is based on sales to third parties broken down by where the customer is based and the non-current assets by the region in which the asset is located. The information on non-current assets refers to intangible assets, property, plant and equipment, investment property and leased assets.

€ million	Germany		Rest of Europe and other regions	
	2008/09	2007/08	**2008/09**	2007/08
Sales to third parties	**16,328**	1,367	**24,048**	2,805
Non-current assets	**44,580**	1,946	**19,303**	111

IFRS 8 was early adopted for fiscal 2008/09. The corresponding figures for fiscal 2007/08 were adjusted accordingly.

North America		South America		Asia/Oceania		Consolidation		Porsche group	
2008/09	2007/08	**2008/09**	2007/08	**2008/09**	2007/08	**2008/09**	2007/08	**2008/09**	2007/08
7,538	2,112	**4,302**	136	**4,865**	1,047	**0**	0	**57,081**	7,467
8,990	880	**2,508**	0	**785**	26	**67**	12	**76,233**	2,975

[36] Disclosure pursuant to Sec. 160 (1) No. 8 AktG [“Aktiengesetz”: German Stock Corporation Act]
Notification on 5 August 2008

On 5 August 2008, Ferdinand Karl Alpha Privatstiftung, Vienna, Austria made the following announcement:

“The voting share of Ferdinand Karl Alpha Privatstiftung in Porsche Automobil Holding SE, registered under HRB 724512 at the Stuttgart local court, with registered office in Stuttgart and the business address Porscheplatz 1, D-70435 Stuttgart, exceeded on 30 July 2008 the voting right thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% and on that date amounted to 100% of the voting rights.

Of these, 13.16% of the voting rights (11,517,300 of a total of 87,500,000 voting rights) are allocable to Ferdinand Karl Alpha Privatstiftung in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocable to Ferdinand Karl Alpha Privatstiftung pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG are held via the following dependent companies whose voting share in Porsche Automobil Holding SE is 3% or more: Dipl. Ing. Dr. h.c. Ferdinand Piëch GmbH, FN 202342 m, with registered office in Salzburg and the business address Sonnleitenweg 12, 5020 Salzburg; Ferdinand Piëch GmbH, HRB 163967 of the Munich local court, with the registered office in Grünwald and business address Karl-Valentin-Strasse 23, DE-82031 Grünwald.

Moreover, 86.84% of the voting rights (75,982,700 voting rights of a total of 87,500,000 voting rights) of shareholders whose voting share in Porsche Automobil Holding SE amounts to 3% or more are allocable to Ferdinand Karl Alpha Privatstiftung in accordance with Sec. 22 (2) WpHG because, as a subsidiary of Ferdinand Karl Alpha Privatstiftung, Ferdinand Piëch GmbH coordinates its actions regarding Porsche Automobil Holding SE on account of the existing consortium agreement with these shareholders. The voting rights allocable to Ferdinand Karl Alpha Privatstiftung pursuant to Sec. 22 (2) WpHG are held by the following companies: Hans-Michel Piëch GmbH, Familie Porsche Beteiligung GmbH, Familien Porsche-Daxer-Piëch Beteiligung GmbH, Porsche Gesellschaft mit beschränkter Haftung.“

Notification on 6 August 2008

On 6 August 2008, Ferdinand Karl Alpha Privatstiftung with registered office in Vienna, Austria made the following announcement as a correction to their announcement of 5 August 2008:

“The voting share of Ferdinand Karl Alpha Privatstiftung, Vienna, Austria in Porsche Automobil Holding SE, registered under HRB 724512 at the Stuttgart local court, with registered office in Stuttgart and the business address Porscheplatz 1, D-70435 Stuttgart, exceeded on 30 July 2008 the voting right thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% and on that date amounted to 100% of the voting rights.

Of these, 13.16% of the voting rights (11,517,300 of a total of 87,500,000 voting rights) are allocable to Ferdinand Karl Alpha Privatstiftung in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocable to Ferdinand Karl Alpha Privatstiftung pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG are held via the following dependent companies whose voting share in Porsche Automobil Holding SE is 3% or more: Dipl. Ing. Dr. h.c. Ferdinand Piëch GmbH, FN 202342 m, with registered office in Salzburg, Austria; Ferdinand Piëch GmbH, HRB 163967 of the Munich local court, with registered office in Grünwald, Germany.

Moreover, 86.84% of the voting rights (75,982,700 voting rights of a total of 87,500,000 voting rights) of shareholders whose voting share in Porsche Automobil Holding SE amounts to 3% or more are allocable to Ferdinand Karl Alpha Privatstiftung in accordance with Sec. 22 (2) WpHG because, as a subsidiary of Ferdinand Karl Alpha Privatstiftung, Ferdinand Piëch GmbH coordinates its actions regarding Porsche Automobil Holding SE on account of the existing consortium agreement with these shareholders. The voting rights allocable to Ferdinand Karl Alpha Privatstiftung pursuant to Sec. 22 (2) WpHG are held by the following companies: Hans-Michel Piëch GmbH, Familie Porsche Beteiligung GmbH, Familien Porsche-Daxer-Piëch Beteiligung GmbH, Porsche Gesellschaft mit beschränkter Haftung."

Notifications on 19 December 2008

On 19 December 2008, Dr. Oliver Porsche, Austria, announced, on behalf of and with the authorization of Familie Porsche Beteiligung GmbH, Grünwald, Germany, as a correction to the announcement of 3 January 2003 pursuant to Sec. 21 (1) WpHG, that the share of voting rights in Porsche Automobil Holding SE (at that time operating under the name Dr. Ing. h.c. F. Porsche Aktiengesellschaft), Porscheplatz 1, 70435 Stuttgart held by Familie Porsche Beteiligung GmbH as of 30 December 2002 exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%, and amounted to 100% as of that date (8,750,000 voting rights). As of today, it also amounts to 100% (87,500,000 voting rights).

Allocation as of 30 December 2002
49.90% of the voting rights (4,365,970 voting rights) were allocated to Familie Porsche Beteiligung GmbH as of 30 December 2002 in accordance with Sec. 22 (2) WpHG on the basis of a consortium agreement. The share of voting rights allocated to the following shareholders in accordance with Sec. 22 (2) WpHG came to 3% or more: Ferdinand Piëch GmbH, Hans-Michel Piëch GmbH, Porsche GmbH, all based in Stuttgart, Germany.

Allocation as of today
75.57% of the voting rights (661,208,000 voting rights) are allocated to Familie Porsche Beteiligung GmbH as of today in accordance with Sec. 22 (2) WpHG on the basis of a consortium agreement. The share of voting rights allocated to the following shareholders in accordance with Sec. 22 (2) WpHG comes to 3% or more: Familien Porsche-Daxer-Piëch Beteiligung GmbH, Ferdinand Piëch GmbH, Hans-Michel Piëch GmbH, all based in Grünwald, Germany, Porsche GmbH, Stuttgart, Germany.

On 19 December, 2008, Dr. Oliver Porsche, Austria, announced on his own behalf and on behalf of and with the authorization of the persons listed below (hereinafter also referred to as the "notifying parties") as a correction to the correction from January 2007 and published on 2 February 2007 in accordance with Sec. 41 (2) Sentence 1 WpHG that their respective shares in the voting rights of Porsche Automobil Holding SE (at that time operating under the name Dr. Ing. h.c. F. Porsche Aktiengesellschaft), Porscheplatz 1, 70435 Stuttgart amounted to 100% (8,750,000 voting rights) as of 1 April, 2002. As of today, it also amounts to 100% (87,500,000 voting rights).

Allocation as of 1 April 2002
These voting rights were allocable to the individual notifying parties as follows on 1 April 2002 pursuant to Sec. 41 (2) Sentence 1, Sec. 22 (1) Sentence 1 No. 1, Sec. 22 (2) WpHG:

Notifying party and address	Pursuant to Sec. 41 (2) Sentence 1, Sec. 22 (1) Sentence 1 No. 1 WpHG	Pursuant to Sec. 41 (2) Sentence 1, Sec. 22 (2) WpHG
Mag. Josef Ahorner, Austria	7.64% (668,750 voting rights)	92.36% (8,081,250 voting rights)
Mag. Louise Kiesling, Austria	7.64% (668,750 voting rights)	92.36% (8,081,250 voting rights)
Dr. Oliver Porsche, Austria	12.26% (1,072,740 voting rights)	87.74% (7,677,260 voting rights)
Kai Alexander Porsche, Austria	12.26% (1,072,740 voting rights)	87.74% (7,677,260 voting rights)
Mark Philipp Porsche, Austria	12.26% (1,072,740 voting rights)	87.74% (7,677,260 voting rights)
Peter Daniell Porsche, Austria	12.22% (1,068,960 voting rights)	87.78% (7,681,040 voting rights)

The allocable voting rights of the following notifying parties pursuant to Sec. 41 (2) Sentence 1, Sec. 22 (1) Sentence 1 No. 1 WpHG were held via the following controlled companies, whose attributable share of voting rights amounted to 3% or more each:

Notifying party	Controlled company
Mag. Josef Ahorner, Mag. Louise Kiesling	Louise Daxer-Piëch GmbH, Salzburg Louise Daxer-Piëch GmbH, Stuttgart
Dr. Oliver Porsche, Kai Alexander Porsche, Mark Philipp Porsche	Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Ferdinand Alexander Porsche GmbH, Stuttgart
Peter Daniell Porsche	Ing. Hans-Peter Porsche GmbH, Salzburg, Hans-Peter Porsche GmbH, Stuttgart

3% or more of the voting rights arising from the shares of the following shareholders were allocated to the notifying parties in accordance with Sec. 41 (2) Sentence 1, Sec. 22 (2) WpHG (excluding those notifying parties that have already been allocated voting rights arising from the shares of the respective shareholder in accordance with Sec. 41 (2) Sentence 1, Sec. 22 (1) Sentence 1 No. 1 WpHG): Ferdinand Alexander Porsche GmbH, Hans-Peter Porsche GmbH, Wolfgang Porsche GmbH, Gerhard Porsche GmbH, Louise Daxer-Piëch GmbH, Ferdinand Piëch GmbH, Hans-Michel Piëch GmbH, Porsche GmbH, all based in Stuttgart, Germany.

Allocation as of today
As of today, these voting rights are allocable to the individual notifying parties pursuant to Sec. 41 (2) Sentence 1, Sec. 22 (1) Sentence 1 No. 1, Sec. 22 (2) WpHG as follows:

Notifying party and address	Pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG	Pursuant to Sec. 22 (2) WpHG
Mag. Josef Ahorner, Austria	25.67% (224,611,000 voting rights)	74.33% (650,389,000 voting rights)
Mag. Louise Kiesling, Austria	25.67% (224,611,000 voting rights)	74.33% (650,389,000 voting rights)
Dr. Oliver Porsche, Austria	25.67% (224,611,000 voting rights)	74.33% (650,389,000 voting rights)
Kai Alexander Porsche, Austria	25.67% (224,611,000 voting rights)	74.33% (650,389,000 voting rights)
Mark Philipp Porsche, Austria	25.67% (224,611,000 voting rights)	74.33% (650,389,000 voting rights)
Peter Daniell Porsche, Austria	24.43% (223,792,000 voting rights)	75.57% (661,208,000 voting rights)

As of today, the allocable voting rights of the following notifying parties pursuant to Sec. 41 (2) Sentence 1, Sec. 22 (1) Sentence 1 No. 1 WpHG are held via the following controlled companies, whose attributable share of voting rights amounts to 3% or more each:

Notifying party	Controlled company
Mag. Josef Ahorner, Austria, Mag. Louise Kiesling, Austria, Dr. Oliver Porsche, Austria, Kai Alexander Porsche, Austria, Mark Philipp Porsche, Austria	Ferdinand Porsche Privatstiftung, Salzburg, Ferdinand Porsche Holding GmbH, Salzburg, Louise Daxer-Piëch GmbH, Salzburg, Louise Daxer-Piëch GmbH, Grünwald, Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Ferdinand Alexander Porsche GmbH, Grünwald, Gerhard Anton Porsche GmbH, Salzburg, Gerhard Porsche GmbH, Grünwald, Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald
Peter Daniell Porsche	Familie Porsche Privatstiftung, Salzburg, Familie Porsche Holding GmbH, Salzburg, Ing. Hans-Peter Porsche GmbH, Salzburg, Hans-Peter Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald

As of today, 3% or more of the voting rights arising from the shares of the following shareholders are allocated to the notifying parties in accordance with Sec. 41 (2) Sentence 1, Sec. 22 (2) WpHG (excluding those notifying parties that are already allocated voting rights arising from the shares of the respective shareholder in accordance with Sec. 41 (2) Sentence 1, Sec. 22 (1) Sentence 1 No. 1 WpHG): Familie Porsche Beteiligung GmbH, Familien Porsche-Daxer-Piëch Beteiligung GmbH, Ferdinand Piëch GmbH, Hans-Michel Piëch GmbH, all based in Grünwald, Germany, Porsche GmbH, Stuttgart, Germany.

Notification on 14 May 2009

On 23 December 2008, at 7.22 p.m., Porsche Automobil Holding SE issued a 'Correction to the publication of a miscellaneous voting right announcement' entitled 'Correction of a publication pursuant to Sec. 25 (1) WpHG, old version'. As a correction, it is hereby announced that this was a

'Correction to the publication of a miscellaneous voting right announcement pursuant to Sec. 21 (1) WpHG' and 'Correction of a publication pursuant to Sec. 26 (1) WpHG'.

The publication on 23 December 2008 at 7.22 p.m. was worded as follows:

'On 19 December 2008, Dr. Oliver Porsche, Austria, announced, on behalf of and with the authorization of Familie Porsche Beteiligung GmbH, Grünwald, Germany, as a correction to the announcement of 3 January 2003 pursuant to Sec. 21 (1) WpHG, that the share of voting rights in Porsche Automobil Holding SE (at that time operating under the name Dr. Ing. h.c. F. Porsche Aktiengesellschaft), Porscheplatz 1, 70435 Stuttgart held by Familie Porsche Beteiligung GmbH as of 30 December 2002 exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%, and amounted to 100% as of that time (8,750,000 voting rights). As of today, it also amounts to 100% (87,500,000 voting rights).

Allocation as of 30 December 2002
49.90% of the voting rights (4,365,970 voting rights) were allocated to Familie Porsche Beteiligung GmbH as of 30 December 2002 in accordance with Sec. 22 (2) WpHG on the basis of a consortium agreement.

The share of voting rights allocated to the following shareholders in accordance with Sec. 22 (2) WpHG came to 3% or more: Ferdinand Piëch GmbH, Hans-Michel Piëch GmbH, Porsche GmbH, all based in Stuttgart, Germany.

Allocation as of today
75.57% of the voting rights (661,208,000 voting rights) are allocated to Familie Porsche Beteiligung GmbH as of today in accordance with Sec. 22 (2) WpHG on the basis of a consortium agreement.

The share of voting rights allocated to the following shareholders in accordance with Sec. 22 (2) WpHG comes to 3% or more: Familien Porsche-Daxer-Piëch Beteiligung GmbH, Ferdinand Piëch GmbH, Hans-Michel Piëch GmbH, all based in Grünwald, Deutschland Porsche GmbH, Stuttgart, Germany.'

Notification on 1 September 2009

We were notified of the following on 1 September 2009:

"(1) Pursuant to Sec. 21 (1) WpHG we hereby notify for and on behalf of the State of Qatar, acting by and through the Quatar Investment Authority, P.O. Box: 23224, Doha, Qatar, that its indirect voting rights in Porsche Automobil Holding SE exceeded the thresholds of 3% and 5% and reached the threshold of 10% on 28 August 2009 and amounted to 10% of the voting rights of Porsche Automobil Holding SE (8,750,000 voting rights) as per this date, all of which are attributed to the State of Qatar pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights that are attributed to the State of Qatar are held via the following entities which are controlled by it and whose attributed proportion of voting rights in Porsche Automobil Holding SE amount to 3% each or more:

(a) Qatar Investment Authority, P.O. Box: 23224, Doha, Qatar;
(b) Qatar Holding LLC, Qatar Finance Centre, 8th Floor, Q-Tel Tower, West Bay, Doha, Qatar;
(c) Qatar Holding Luxembourg II S.à.r.l., 65 Boulevard Grande-Duchesse Charlotte, L-1331, Luxembourg;
(d) Qatar Holding Netherlands B.V., Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands.

(2) Pursuant to Sec. 21 (1) WpHG we hereby notify for and on behalf of Qatar Investment Authority, P.O. Box: 23224, Doha, Qatar, that its indirect voting rights in Porsche Automobil Holding SE exceeded the thresholds of 3% and 5% and reached the threshold of 10% on 28 August 2009 and amounted to 10% of the voting rights of Porsche Automobil Holding SE (8,750,000 voting rights) as per this date, all of which are attributed to the Qatar Investment Authority pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights that are attributed to the Qatar Investment Authority are held via the entities as set forth in (1) (b) through (d) which are controlled by it and whose proportion of voting rights in Porsche Automobil Holding SE amount to 3% each or more.

(3) Pursuant to Sec. 21 (1) WpHG we hereby notify for and on behalf of Qatar Holding LLC, Qatar Finance Centre, 8th Floor, Q-Tel Tower, West Bay, Doha, Qatar, that its indirect voting rights in Porsche Automobil Holding SE exceeded the thresholds of 3% and 5% and reached the threshold of 10% on 28 August 2009 and amounted to 10% of the voting rights of Porsche Automobil Holding SE (8,750,000 voting rights) as per this date, all of which are attributed to Qatar Holding LLC pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights that are attributed to Qatar Holding LLC are held via the entities as set forth in (1) (c) through (d) which are controlled by it and whose proportion of voting rights in Porsche Automobil Holding SE amount to 3% each or more.

(4) Pursuant to Sec. 21 (1) WpHG we hereby notify for and on behalf of Qatar Holding Luxembourg II S.à.r.l., 65 Boulevard Grande-Duchesse Charlotte, L-1331, Luxembourg, that its indirect voting rights in Porsche Automobil Holding SE exceeded the thresholds of 3% and 5% and reached the threshold of 10% on 28 August 2009 and amounted to 10% of the voting rights of Porsche Automobil Holding SE (8,750,000 voting rights) as per this date, all of which are attributed to Qatar Holding Luxembourg II S.à.r.l. pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights that are attributed to Qatar Holding Luxembourg II S.à.r.l. are held via the entity as set forth in (1) (d) which is controlled by it and whose attributed proportion of voting rights in Porsche Automobil Holding SE amount to 3% or more.

(5) Pursuant to Sec. 21 (1) WpHG we hereby notify for and on behalf of Qatar Holding Netherlands B.V., Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands, that its direct voting rights Porsche Automobil Holding SE exceeded the thresholds of 3% and 5% and reached the threshold of 10% on 28 August 2009 and amounted to 10% of the voting rights of Porsche Automobil Holding SE (8,750,000 voting rights) as per this date.

Frankfurt am Main, 1 September 2009"

[37] Related parties

In accordance with IAS 24, persons or entities which are in control of or controlled by Porsche SE must be disclosed. Pursuant to a consortium agreement, the Porsche and Piëch families have direct and indirect control respectively of Porsche Holding SE.

The disclosure requirements under IAS 24 also extend to persons who have the power to exercise significant influence over the entity, i.e. who have the power to participate in the financial and operating policies of the entity, but do not control it, including close family members. In the fiscal year 2008/09, this concerns members of the supervisory board and the executive board of Porsche SE as well as their close family members.

The volume of trade in the course of ordinary operations in the vehicles and parts business with the Porsche and Piëch families and their affiliated entities came to €1,719.4 million (prior year: €144.1 million), and trade in the design business amounted to €1.4 million (prior year: €1.9 million).

To secure a loan provided to Porsche AG, the shareholders of Porsche Holding GmbH pledged a 20% package of ordinary shares of Porsche Holding GmbH and Porsche GmbH, Salzburg, a 2.4% Volkswagen share package with a liability limit of €600 million. To secure a further loan provided to Porsche AG, the shareholders of Porsche Holding GmbH pledged a 40% package of ordinary shares of Porsche Holding GmbH. For as long as this collateral exists, Porsche AG agrees to pay guarantee commission to Porsche GmbH, Salzburg, of 2.5% p.a. of the amount secured in each case and to the shareholders of Porsche Holding GmbH of 2.5% p.a. of the amount secured in each case. An amount of €10.4 million was recognized as a liability for this commission.

Apart from that, the Porsche und Piëch families provided automotive services and delivered clocks and related spare parts to Porsche AG. These deliveries and services are not material for the Porsche group and were charged at arm's length conditions without exception. The Porsche and Piëch families granted an interest-free loan of €2 million (prior year: €2 million) to Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG.

The disclosure requirements in the consolidated financial statements of Porsche SE as of 31 July 2009 pursuant to IAS 24 also include persons and entities on which the Porsche group can exert a significant influence. Before obtaining the majority of voting rights in Volkswagen AG, i.e. between 1 August 2008 and 5 January 2009, Porsche SE was able to exercise a significant influence on the Volkswagen group. During that time, business relations existed with the Volkswagen group from deliveries relating to the vehicle and parts business and from consulting and development services. In addition, shares from the mandatory offer for shareholders of Audi AG worth €86 million were resold to Volkswagen AG before the initial consolidation. The transactions were charged at arm's length conditions.

Since 5 January 2009 Porsche SE controls (in terms of IAS 27) non-consolidated subsidiaries and has joint control over joint ventures or can exercise significant influence over associates of the Volkswagen group. In this period, the trade relations with these entities mainly pertained to the vehicle and parts business. They were charged at arm's length conditions.

Related parties

€ million	Supplies and services rendered		Supplies and services received	
	2008/09	2007/08	**2008/09**	2007/08
Porsche and Piëch families	**1,721**	146	**126**	2
Volkswagen AG (prior to initial consolidation)	**183**	113	**527**	989
Members of the executive board and the supervisory board	**0.5**	0.2	**0**	0
Joint ventures	**1,305**	0	**196**	0
Associates	**1,336**	0	**89**	0
Pension plans	**0.2**	0	**0.5**	0
Non-consolidated subsidiaries	**681**	0	**326**	0
	5,227	259	**1,265**	991

€ million	Receivables		Liabilities	
	31/7/2009	31/7/2008	**31/7/2009**	31/7/2008
Porsche and Piëch families	**217**	3	**12**	2
Volkswagen AG (prior to initial consolidation)	**0**	18	**0**	22
Members of the executive board and the supervisory board	**0.1**	0	**0.3**	0
Joint ventures	**1,941**	0	**41**	0
Associates	**20**	0	**12**	0
Pension plans	**1**	0	**0**	0
Non-consolidated subsidiaries	**659**	0	**206**	0
	2,838	21	**271**	24

For members of the executive board and of the supervisory board, short-term benefits of €5.5 million (prior year: €145.4 million), termination benefits of €71.0 million (prior year: €0.0 million) as well as post-employment benefits of €5.5 million (prior year: €2.1 million) were paid out. Payments of €0.5 million (prior year: €0.2 million) were made to members of the executive board and supervisory board as key management personnel, mainly for transactions in the vehicle and parts business. They were charged at arm's length conditions. Other than that, no transactions requiring disclosure were conducted by entities of the Porsche group with members of the supervisory board or executive board as key management personnel or with any other entities having these persons on their executive or supervisory board. The same applies for close family members of these persons.

[38] Remuneration of the supervisory board and the executive board

The remuneration of the executive board consists of a fixed basic salary and a profit-based variable component. The remuneration of the executive board comprises short term benefits with an amount of €75.0 million for the fiscal year 2008/09 (prior year: €143.5 million). This contains severance payments of €71.0 million, fixed remuneration of €3.3 million and supervisory board payments made in the fiscal year of €0.7 million. The profit-based variable components contained in the prior-year figure amount to €139.5 million. The members of the executive board appointed on 23 July 2009 did not receive any remuneration from Porsche SE for the fiscal year. The pension obligations for active members of the executive board increased in the fiscal year by €5.5 million (prior year: €2.1 million).

The pension obligations to former executive board members and their surviving dependants total €45.5 million (prior year: €28.1 million). Benefit payments came to €1.6 million for this group of persons (prior year: €1.3 million).

The total remuneration of the supervisory board for the 2008/09 fiscal year is all short term and amounts to €1.5 million (prior year: €1.9 million).

The provisions for pensions are disclosed in note [26] and measured according to IAS 19. There are no further obligations towards the supervisory board and the executive board.

[39] Auditor's fees

The auditor's fees for the auditor Ernst & Young GmbH recognized in the fiscal year in accordance with Sec. 314 (1) No. 9 German Commercial Code (HGB) break down as follows:

€ thousand	**31/7/2009**	31/7/2008
Audit of financial statements	**1,240**	828
Other assurance services	**765**	6
Tax advisory services	**809**	211
Other services	**2,221**	1,002
	5,035	2,047

[40] Declaration on the German Corporate Governance Code
The executive board and supervisory board of Porsche SE have issued the declaration required by Sec. 161 AktG in the annual report 2008/09. It is made permanently accessible to the shareholders on the homepage www.porsche-se.com.

The executive board and supervisory board of Volkswagen AG have issued the declaration on the German Corporate Governance Code required by Sec. 161 AktG on 21 November 2008 and made it permanently accessible to the shareholders of Volkswagen AG on the homepage www.volkswagenag.com/ir.

The executive board and supervisory board of AUDI AG also have issued the declaration on the German Corporate Governance Code required by Sec. 161 AktG on 24 November 2008 and made it permanently accessible to the shareholders on the homepage www.audi.de/cgk-erklaerung.

Stuttgart, 19 October 2009

Porsche Automobil Holding SE

The executive board

Michael Macht Thomas Edig

Responsibility statement

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

Stuttgart, 19 October 2009

Porsche Automobil Holding SE

The executive board

Michael Macht Thomas Edig

Auditors' report of the group auditor

"We have audited the consolidated financial statements prepared by Porsche Automobil Holding SE, Stuttgart, comprising the balance sheet, the income statement, the statement of cash flows, statement of changes in equity as well as the notes to the financial statements, together with the combined management report, for the fiscal year from 1 August 2008 to 31 July 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the entity's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we refer to the discussion in the group management report on risks and opportunities relating to future development. Here it says:

If the steps involved in the merger of Porsche Automobil Holding SE and Volkswagen AG and thus the debt relief of Porsche Automobil Holding SE do not take place as planned, this could once again lead Porsche Automobil Holding SE into a critical liquidity situation by the end of 2009 which could put the ability of the company and the group to continue as a going concern at risk."

Stuttgart, 19 October 2009

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Benzinger
Wirtschaftsprüfer
[German Public Auditor]

Strähle
Wirtschaftsprüfer
[German Public Auditor]

Membership in other statutory supervisory boards and comparable domestic and foreign control bodies

Members of the supervisory board of Porsche Automobil Holding SE

Dr. Wolfgang Porsche
1) Dr. Ing. h.c. F. Porsche AG, Stuttgart (chairman)
Volkswagen AG, Wolfsburg
2) Porsche Holding GmbH, Salzburg (chairman)
Porsche Ges.m.b.H., Salzburg (chairman)
Porsche Bank AG, Salzburg (deputy chairman)
Familie Porsche AG Beteiligungsgesellschaft, Salzburg (chairman)
Porsche Cars Great Britain Ltd., Reading
Porsche Cars North America Inc., Wilmington
Porsche Ibérica S.A., Madrid
Porsche Italia S.p.A., Padua
Eterna S.A., Grenchen (chairman)
Schmittenhöhebahnen AG, Zell am See

Uwe Hück
1) Dr. Ing. h.c. F. Porsche AG, Stuttgart

Hans Baur
1) Dr. Ing. h.c. F. Porsche AG, Stuttgart (deputy chairman)
Berthold Leibinger GmbH, Ditzingen

Berthold Huber (from 30 January 2009)
1) Audi AG, Ingolstadt (deputy chairman)
Siemens AG, Munich (deputy chairman)

Prof. Dr. Ulrich Lehner
1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
HSBC Trinkaus & Burkhardt AG, Düsseldorf
E.ON AG, Düsseldorf
ThyssenKrupp AG, Düsseldorf
Henkel Management AG, Düsseldorf
Deutsche Telekom AG, Bonn (chairman)
2) Dr. August Oetker KG, Bielefeld
Henkel AG & Co. KGaA, Düsseldorf
Novartis AG, Basle

Peter Mosch (from 30 January 2009)
1) Volkswagen AG, Wolfsburg
Audi AG, Ingolstadt

Bernd Osterloh (from 30 January 2009)
1) Volkswagen AG, Wolfsburg
Auto 5000 GmbH, Wolfsburg
Autostadt GmbH, Wolfsburg
Wolfsburg AG, Wolfsburg
Projekt Region Braunschweig GmbH, Wolfsburg
Volkswagen Coaching GmbH, Wolfsburg
VfL Wolfsburg Fussball GmbH, Wolfsburg

Hon.-Prof. Dr. techn. h.c. Dipl. Ing. ETH Ferdinand K. Piëch
1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
Volkswagen AG, Wolfsburg (chairman)
MAN AG, Munich (chairman)
AUDI AG, Ingolstadt
2) Porsche Holding GmbH, Salzburg
Porsche Ges.m.b.H., Salzburg

Dr. Hans Michel Piëch
1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
2) Porsche Bank AG, Salzburg
Porsche Holding GmbH, Salzburg (deputy chairman)
Porsche Cars North America Inc., Wilmington
Porsche Cars Great Britain Ltd., Reading
Porsche Italia S.p.A., Padua
Porsche Ibérica S.A., Madrid
Porsche Ges.m.b.H., Salzburg (deputy chairman)
Volksoper Wien GmbH, Vienna
Schmittenhöhebahnen AG, Zell am See

Dr. Ferdinand Oliver Porsche
1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
Voith AG, Heidenheim
2) Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen
PGA S.A., Paris
Eterna S.A., Grenchen

Hans-Peter Porsche
1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
2) Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen
Familie Porsche AG Beteiligungsgesellschaft, Salzburg (deputy chairman)
Porsche Holding GmbH, Salzburg
Porsche Ges.m.b.H., Salzburg
FAP Beteiligungen AG, Salzburg (chairman)

Werner Weresch

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart

Wolfgang Leimgruber (until 30 January 2009)

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
2) Porsche France S.A., Boulogne-Billancourt

Hansjörg Schmierer (until 30 January 2009)

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
Berthold Leibinger GmbH, Ditzingen
Mahle GmbH, Stuttgart

Walter Uhl (until 30 January 2009)

1) Dr. Ing. h.c. F. Porsche AG, Stuttgart

(Disclosures pursuant to Sec. 285 No. 10 HGB)
As of 31 July 2009 or the date on which members left the supervisory board or executive board of Porsche Automobil Holding SE.
1) Membership in German statutory supervisory boards
2) Comparable offices in Germany and abroad

Members of the executive board of Porsche Automobil Holding SE

Michael Macht (from 23 July 2009)

2) Porsche Consulting GmbH, Bietigheim-Bissingen (chairman)
Porsche Consulting Italia S.r.l., Milan
Porsche Leipzig GmbH, Leipzig (chairman)
PIKS Porsche-Information-Kommunikation-Services GmbH, Stuttgart
Advisory Board KS ATAG

Thomas Edig (from 23 July 2009)

2) Porsche Consulting GmbH, Bietigheim-Bissingen
Porsche Consulting Italia S.r.l., Milan
Porsche Leipzig GmbH, Leipzig
Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH, Freiberg/N.
Porsche Logistik GmbH, Stuttgart

Dr. Wendelin Wiedeking (until 23 July 2009)

1) Volkswagen AG, Wolfsburg*
AUDI AG, Ingolstadt*

2) Porsche Cars North America Inc., Wilmington*
Porsche Cars Great Britain Ltd., Reading*
Porsche Italia S.p.A., Padua*
Porsche Ibérica S.A., Madrid*
Porsche Japan K.K., Tokyo*
Porsche Enterprises Inc., Wilmington*
Novartis AG, Basle

Holger P. Härter (until 23 July 2009)

1) EUWAX AG, Stuttgart (chairman)
Volkswagen AG, Wolfsburg*
AUDI AG, Ingolstadt*
boerse-stuttgart AG, Stuttgart (chairman)

2) Porsche Cars North America Inc., Wilmington*
Porsche Enterprises Inc., Wilmington (chairman)*
Porsche Financial Services Inc., Wilmington (chairman)*
Porsche Cars Great Britain Ltd., Reading*
Porsche Italia S.p.A., Padua*
Porsche Ibérica S.A., Madrid*
Porsche Japan K.K., Tokyo*
Porsche Deutschland GmbH, Bietigheim-Bissingen*
Porsche Financial Services GmbH, Bietigheim-Bissingen (chairman)*
PIKS Porsche-Information-Kommunikation-Services GmbH, Stuttgart (chairman)
Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH, Freiberg/N. (chairman)

* Until 23 July 2009

Balance sheet of Porsche Automobil Holding SE as of 31 July 2009[1]

	€ million	31/7/2009	31/7/2008
Assets	Non-current assets		
	Intangible assets	.	0
	Property, plant and equipment	.	0
	Financial assets	**24,838**	9,104
		24,838	9,104
	Current assets		
	Trade receivables	**2,703**	0
	Other assets	**1,202**	12,639
	Securities	**0**	2,500
	Cash and cash equivalents	**2,164**	6,030
		6,069	21,169
	Prepaid expenses	**263**	0
		31,170	30,273
Equity and liabilities	Equity		
	Subscribed capital	**175**	175
	Capital reserves	**122**	122
	Retained earnings	**7,688**	6,974
	Net profit available for distribution	**8**	2,190
		7,993	9,461
	Provisions		
	Provisions for pensions and similar obligations	**6**	6
	Sundry provisions	**3,365**	2,111
		3,371	2,117
	Liabilities		
	Liabilities to banks	**10,561**	9,873
	Trade payables	**4**	0
	Sundry liabilities	**9,241**	8,822
		19,806	18,695
		31,170	30,273

[1] The financial statements of Porsche SE have been prepared in accordance with German accounting standards (HGB) and are published in the elektronischer Bundesanzeiger (German Electronic Federal Gazette). They can be obtained from Porsche SE, Financial Press and Investor Relations, Porscheplatz 1, 70435 Stuttgart, Germany.

Income statement of Porsche Automobil Holding SE for the period from 1 August 2008 to 31 July 2009

€ million	**2008/09**	2007/08
Revenue	**5**	0
Total operating performance	**5**	0
Other operating income	**52,790**	8,345
Cost of materials	**0**	.
Personnel expenses	**–77**	–52
Amortization and depreciation	**.**	0
Other operating expenses	**–55,407**	–3,682
Income from investments	**2,992**	1,895
Interest result	**–746**	–289
Income from ordinary activities	**–443**	6,217
Taxes	**–553**	–1,837
Net profit/loss	**–996**	4,380
Withdrawals from retained earnings	**1,004**	0
Transfer to retained earnings	**0**	–2,190
Net profit available for distribution	**8**	2,190

Significant equity investments

		Share in capital as of 31 July 2009 %
Fully consolidated entities – Germany	**Porsche**	
	Dr. Ing. h.c. F. Porsche AG, Stuttgart	100.00
	Porsche Consulting GmbH, Bietigheim-Bissingen	100.00 [1]
	Porsche Deutschland GmbH, Bietigheim-Bissingen	100.00 [1]
	Porsche Leipzig GmbH, Leipzig	100.00 [1]
	Porsche Engineering Group GmbH, Weissach	100.00 [1]
	Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen	65.00 [1]
	Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH, Freiberg am Neckar	74.80 [1]
	Porsche Financial Services GmbH & Co. KG, Bietigheim-Bissingen	100.00 [1]
	Volkswagen	
	VOLKSWAGEN AG, Wolfsburg	37.42 [2]
	Volkswagen Sachsen GmbH, Zwickau	100.00 [1]
	SITECH Sitztechnik GmbH, Wolfsburg	100.00 [1]
	Volkswagen Original Teile Logistik GmbH & Co. KG, Baunatal	52.96 [1]
	Automobilmanufaktur Dresden GmbH, Dresden	100.00 [1]
	Auto 5000 GmbH, Wolfsburg	100.00 [1]
	AUDI AG, Ingolstadt	99.55 [1]
	quattro GmbH, Neckarsulm	100.00 [1]
	SEAT Deutschland GmbH, Mörfelden-Walldorf	100.00 [1]
	ŠkodaAuto Deutschland GmbH, Weiterstadt	100.00 [1]
	Scania Deutschland Holding GmbH, Koblenz	100.00 [1]
	VOLKSWAGEN FINANCIAL SERVICES AG, Braunschweig	100.00 [1]
	Volkswagen Leasing GmbH, Braunschweig	100.00 [1]
	Volkswagen Bank GmbH, Braunschweig	100.00 [1]
	Volkswagen Reinsurance AG, Braunschweig	100.00 [1]
	Volkswagen-Versicherungsdienst GmbH, Braunschweig	100.00 [1]
Fully consolidated entities – Other countries	**Porsche**	
	Porsche Ibérica S.A., Madrid, Spain	100.00 [1]
	Porsche Italia S.p.A., Padua, Italy	100.00 [1]
	Porsche International Financing plc., Dublin, Ireland	100.00 [1]
	Porsche France S.A., Boulogne-Billancourt, France	100.00 [1]
	Porsche Distribution S.A.S., Levallois-Perret, France	100.00 [1]
	Porsche Cars Great Britain Ltd., Reading, UK	100.00 [1]
	Porsche Retail Group Ltd., Reading, UK	100.00 [1]
	Porsche Schweiz AG, Zug/Steinhausen, Switzerland	100.00 [1]
	Porsche Enterprises Inc., Wilmington, Delaware, USA	100.00 [1]
	Porsche Cars North America Inc., Wilmington, Delaware, USA	100.00 [1]
	Porsche Cars Canada Ltd., Toronto, Ontario, Canada	100.00 [1]
	Porsche Japan K.K., Tokyo, Japan	100.00 [1]

[1] indirect equity investment

[2] diverging from the capital share, the voting right share is 50.76%

		Share in capital as of 31 July 2009 %
Fully consolidated entities – Other countries	**Porsche**	
	Porsche Cars Australia Pty. Ltd., Collingwood, Australia	100.00 [1]
	Porsche Retail Group Australia Pty. Ltd., Collingwood, Australia	100.00 [1]
	Porsche Middle East FZE, Dubai, United Arab Emirates	100.00 [1]
	Porsche Russland OOO, Moscow, Russia	100.00 [1]
	Porsche Center Moscow OOO, Moscow, Russia	100.00 [1]
	Porsche (China) Motors Limited, Guangzhou, China	75.00 [1]
	Porsche Financial Services Italia S.p.A., Padua, Italy	100.00 [1]
	Porsche Financial Services Great Britain Ltd., Reading, UK	100.00 [1]
	Porsche Liquidity LLC, Wilmington, Delaware, USA	100.00 [1]
	Porsche Capital LLC, Wilmington, Delaware, USA	100.00 [1]
	Porsche Financial Services Japan K.K., Tokyo, Japan	100.00 [1]
Fully consolidated entities – Other countries	**Volkswagen**	
	VOLKSWAGEN SLOVAKIA, a.s., Bratislava, Slovakia	100.00 [1]
	Volkswagen Navarra, S.A., Arazuri (Navarra), Spain	100.00 [1]
	AUTOEUROPA-AUTOMÓVEIS LDA., Palmela, Portugal	100.00 [1]
	Volkswagen Motor Polska Sp.z o.o., Polkowice, Poland	100.00 [1]
	Volkswagen-Audi España, S.A., El Prat de Llobregat, Spain	100.00 [1]
	VOLKSWAGEN Group United Kingdom Ltd., Milton Keynes, UK	100.00 [1]
	Groupe VOLKSWAGEN France s.a., Villers-Cotterêts, France	100.00 [1]
	Volkswagen Poznan Sp.z o.o., Poznan, Poland	100.00 [1]
	Volkswagen Group Sverige Aktiebolag, Södertälje, Sweden	100.00 [1]
	Volkswagen Group of America, Inc., Herndon, Virginia, USA	100.00 [1]
	Volkswagen Group Canada, Inc., Ajax, Ontario, Canada	100.00 [1]
	VOLKSWAGEN Group Japan K.K., Toyohashi, Japan	100.00 [1]
	VOLKSWAGEN Group Rus OOO, Kaluga, Russia	93.78 [1]
	AUDI BRUSSELS S.A./N.V., Brussels, Belgium	100.00 [1]
	AUDI HUNGARIA MOTOR Kft., Györ, Hungary	100.00 [1]
	Audi of America, LLC, Herndon, Virginia, USA	100.00 [1]
	Audi Volkswagen Korea Ltd., Seoul, Korea	100.00 [1]
	Audi Volkswagen Middle East FZE, Dubai, United Arab Emirates	100.00 [1]
	Automobili Lamborghini Holding S.p.A., Sant' Agata Bolognese, Italy	100.00 [1]
	VOLKSWAGEN GROUP ITALIA S.P.A., Verona, Italy	100.00 [1]
	SEAT, S.A., Martorell, Spain	100.00 [1]
	Gearbox del Prat, S.A., El Prat de Llobregat, Spain	100.00 [1]
	ŠKODA AUTO a.s., Mladá Boleslav, Czech Republic	100.00 [1]
	ŠKODA AUTO Slovensko, s.r.o., Bratislava, Slovakia	100.00 [1]
	ŠKODA AUTO POLSKA, S.A., Poznan, Poland	51.00 [1]
	Bentley Motors Ltd., Crewe, UK	100.00 [1]

[1] indirect equity investment

		Share in capital as of 31 July 2009 %
Fully consolidated entities – Other countries	**Volkswagen**	
	Volkswagen de Mexico, S.A. de C.V., Puebla, Mexico	100.00 [1]
	Volkswagen do Brasil Ltda., São Bernardo do Campo, Brazil	100.00 [1]
	Volkswagen Argentina S.A., Buenos Aires, Argentina	100.00 [1]
	Volkswagen of South Africa (Pty.) Ltd., Uitenhage, South Africa	100.00 [1]
	Scania AB, Södertälje, Sweden	49.29 [1, 3]
	S.A.S. Scania Holding France, Angers, France	100.00 [1]
	Scania Europe Holding B.V., Zwolle, the Netherlands	100.00 [1]
	Scania CV AB, Södertälje, Sweden	100.00 [1]
	Volkswagen (China) Investment Company Ltd., Bejing, China	100.00 [1]
	Volkswagen Group Services S.A., Brussels, Belgium	100.00 [1]
	Volkswagen International Finance N.V., Amsterdam, the Netherlands	100.00 [1]
	VOLKSWAGEN FINANCE, S.A., Madrid, Spain	100.00 [1]
	Volkswagen Financial Services (UK) Ltd., Milton Keynes, UK	100.00 [1]
	Volkswagen Financial Services N.V., Amsterdam, the Netherlands	100.00 [1]
	Volkswagen Financial Services Japan Ltd., Tokyo, Japan	100.00 [1]
	ŠkoFIN s.r.o., Prague, Czech Republic	100.00 [1]
	Volkswagen Pon Financial Services B.V., Amersfoort, the Netherlands	60.00 [1]
	VW CREDIT, INC., Wilmington, Delaware, USA	100.00 [1]
	VOLKSWAGEN LEASING SA DE CV, Puebla, Mexico	100.00 [1]
	VOLKSWAGEN BANK SA INSTITUCION DE BANCA MULTIPLE, Puebla, Mexico	100.00 [1]
	Finanzdienstleistungsgesellschaften Brasilien, São Paulo, Brazil	100.00 [1]
	Finanzdienstleistungsgesellschaften Argentinien, Buenos Aires, Argentina	100.00 [1]
Entities accounted for using the equity method	Shanghai-Volkswagen Automotive Company Ltd., Shanghai, China	50.00 [1, 4]
	FAW-Volkswagen Automotive Company, Ltd., Changchun, China	40.00 [1, 4]
	MAN Aktiengesellschaft, Munich	28.67 [1, 5]
	Global Mobility Holding B.V., Amsterdam, the Netherlands	50.00 [1, 4, 6]
	LeasePlan Corporation N.V., Amsterdam, the Netherlands	– [1]

1 indirect equity investment

2 diverging from the capital share, the voting right share is 50.76%

3 diverging from the capítal share, the voting right share is 71.81%

4 joint venture

5 diverging from the capital share, the voting right share 29.90%

6 Global Mobility Holding B.V., Amsterdam, holds 100% of the shares in LeasePlan Corporation N.V., Amsterdam.

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