PORSCHE SE

Speech

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Ladies and gentlemen,

I, too, am pleased to welcome you to the press conference on the annual results of Porsche Automobil Holding SE. As Professor Winterkorn has explained, the figures we are presenting today for the short fiscal year 2010 are highly satisfactory. I would like to explain the results of operations and financial position to you in more detail, and then give you the first key figures for the upcoming capital increase.

Before I present the details of Porsche SE’s results of operations to you, let me make two comments on the comparability of the short fiscal year with the preceding fiscal year 2009/10.

On the one hand, we have to take into consideration that in the fiscal year 2009/10, the Volkswagen group and Porsche Zwischenholding GmbH group were fully consolidated until early December 2009. The two groups were deconsolidated in December 2009. Since then, Porsche SE has included Volkswagen AG in its consolidated financial statements as an associate and Porsche Zwischenholding GmbH as a joint venture of Porsche SE and Volkswagen AG that is accounted for at equity. It goes without saying that the effects of the deconsolidation in the fiscal year 2009/10 make comparability with the financial indicators of the short fiscal year 2010 very difficult, if not impossible.

On the other hand, I want to point out that the short fiscal year 2010 comprises the five months from 1 August 2010 to 31 December 2010, and that the two consecutive fiscal years therefore cover a different number of months. This also means there is little point in comparing them. In my comments, I will therefore make no comparisons with prior-year figures. Instead, I will focus on the factors responsible for Porsche SE's good results of operations and financial position in the short fiscal year 2010.

As Professor Winterkorn already mentioned, Porsche SE reports earnings after tax of 1.286 billion euro at the end of the short fiscal year 2010. This highly satisfactory result was driven by four main factors.

First: Porsche SE benefits from the excellent economic development of its two investments: The profit from investments accounted for at equity came to 1.075 billion euro and includes the share attributable to Porsche SE in the Porsche Zwischenholding GmbH group's profit for the year of 106 million euro and the Volkswagen group's profit for the year of 969 million euro. As you know, the share is attributable to Porsche SE in proportion to the capital that it holds: Porsche SE holds 50.1 percent of Porsche Zwischenholding GmbH's capital stock and 32.2 percent of Volkswagen AG's share capital.

Second: The reversal of provisions set up in prior years relating to the tax treatment of stock option transactions has given rise to tax income of 666 million euro and has improved the financial result by 51 million euro. We were able to reverse these provisions in the reporting period after the tax authorities informed us on 19 November 2010 that the revised tax assessment notices with regard to the final tax treatment of stock option transactions would be issued shortly. As a result, on the one hand, Porsche SE has a cash outflow of approximately 628 million euro in total – for the tax and interest now actually due for payment. An amount of 357 million euro thereof has already been paid as of the reporting date. On the other hand, we were able to reverse the remaining provisions through the income statement, but without affecting liquidity.

For those of you who do not know the background to the tax authorities’ decision: Porsche SE was of the opinion that some of the stock option transactions it had entered into in the fiscal years 2007/08 and 2008/09 would result in tax-free gains on sale and tax-deductible losses. The tax authorities did not share this view and issued negative decisions, against which Porsche SE, in turn, filed appeals. Upon request, the tax authorities granted a stay of execution on the subsequent tax payments until the final ruling on the tax treatment was handed down. This occurred on 19 November 2010.

Let’s return to the income statement, and to the third point that I would like to mention as being instrumental in achieving our excellent result: The disposal of all cash-settled options relating to Volkswagen AG shares gave rise to a net gain of 92 million euro in the short fiscal year. This means that, during the short fiscal year, we disposed of the last remaining options in our company at a profit.

The fourth main reason for the improvement in results of operations is the financial result, which came to minus 104 million euro in the short fiscal year 2010. In this connection, the lower lending volume, and consequently more moderate interest payments to banks, thanks to the new credit lines that we negotiated in late 2009 had a positive impact. These credit lines total 8.5 billion euro, of which currently around seven billion euro has been drawn.

Negative effects arose from the necessary valuation of the put and call options relating to the remaining 50.1 percent share held by Porsche SE in Porsche Zwischenholding GmbH. The valuation was influenced above all by the announcement by the Stuttgart public prosecutor on 22 February 2011 that investigations against two former members of the executive board of Porsche SE would take longer than planned. They are not expected to be concluded before the start of 2012 at the very earliest.

As a result, the legal and tax assessments of the merger of Porsche SE into Volkswagen AG required by the basic agreement will likely be delayed. This also reduces the probability that the merger can be achieved in accordance with the timeline of the basic agreement. In concrete terms, this means that the executive board has reassessed the probability that the necessary resolutions on the merger will be adopted by the annual general meeting before the end of 2011 and reduced it from previously 70 to now 50 percent. Conversely, this means that the theoretical probability of exercise of the options has increased from previously 30 to now 50 percent.

This issue affected other operating income and expenses as follows: Other operating income totaled 269 million euro in the short fiscal year 2010, with the effect from the valuation of the put option for the remaining shares held by Porsche SE in Porsche Zwischenholding accounting for 158 million euro. Other operating expenses came to 590 million euro. They contain an expense from the valuation of the call option relating to the remaining shares held by Porsche SE in Porsche Zwischenholding totaling 547 million euro.

The excellent development of our investments, as well as the decision by the tax authorities, the divestiture of the options and the reduction of our lending volume achieved in the fiscal year 2009/10 lead us to a simple conclusion: We have done our homework.

And we will improve the situation still further. Thanks to the continued profitable growth of the two investments, Porsche Zwischenholding GmbH and Volkswagen AG, we can expect our share in profit attributable to us from investments accounted for at equity to continue to develop positively. In the current fiscal year 2011, we again expect to generate a profit before special effects at group level.

I would like to say a few words about these special effects that could influence the group profit for fiscal year 2011. These effects could arise from an adjustment through profit or loss of the valuation of the put and call options for the remaining shares held by Porsche SE in Porsche Zwischenholding, which was mentioned above. The amount of this adjustment cannot be conclusively assessed at present. The factors underlying the valuation are not wholly within the control of Porsche SE and may change over time. This concerns above all the probability that the merger, as defined by the basic agreement, will fail; in other words, the theoretical probability of exercising the options, as well as the actual enterprise value of Porsche Zwischenholding GmbH.

Put simply, the issue is as follows: If the probability that the options can be exercised increases or if the profit forecasts of the Porsche Zwischenholding GmbH group improve, this could in both cases lead to an adjustment in the valuation of the put and call options that would reduce the profit for the year. An increase in the cost of capital in determining the enterprise value of Porsche Zwischenholding GmbH could, however, have a positive impact on the net valuation effect.

This brings me to the financial position of the Porsche SE group. The reduction in Porsche SE’s liquidity in the period from 1 August 2010 to 31 December 2010 is due first and foremost to the tax and interest payments pursuant to the agreement with the tax authorities mentioned earlier. Cash inflows stemmed from dividend payments: In the short fiscal year, Porsche SE received dividends of 282 million euro from Porsche Zwischenholding GmbH.

Overall, compared to 31 July 2010 cash funds fell by 131 million euro to 406 million euro. Gross liquidity, i.e., cash and cash equivalents, fell from 898 million euro one year earlier to 622 million euro. At 6.96 billion euro as of 31 December 2010, liabilities to banks remained around the level of the preceding reporting date. Net liquidity, i.e., cash and cash equivalents less liabilities to banks, came to minus 6.34 billion euro as of 31 December 2010, in comparison with minus 6.05 billion euro as of 31 July 2010.

With regard to reducing the company’s liabilities, we are about to take a decisive step. As you know, the annual general meeting of Porsche SE on 30 November 2010 approved the direct capital increase proposed by the executive board and supervisory board with target issue proceeds of five billion euro by a large majority. This resolution provides that the same number of ordinary and preference shares be offered for subscription. Irrespective of the class of shares they hold, all shareholders will have a subscription right for the new shares, with their rights being limited to new shares of the class they already hold. In other words, holders of preference shares only have a right to subscribe to preference shares and holders of ordinary shares can only subscribe to ordinary shares.

The clear result of the vote at the annual general meeting demonstrates the great confidence of the shareholders in the development of Porsche SE. The proposed capital increase was not only unanimously adopted by the holders of ordinary shares, all of whom were represented at the meeting on 30 November 2010. What particularly pleased us was the approval for a direct capital increase from more than 88 percent of the votes cast by the holders of preference shares, 50 percent of whom attended the meeting – a very high figure in comparison to prior years.

As there were no claims filed against the resolutions of the annual general meeting following the annual general meeting, the resolution of the annual general meeting on the capital increase was entered in the commercial register on 13 January 2011.

The resolution of the annual general meeting on the capital increase of 30 November 2010 must be implemented by the end of May 2011 at the latest. As soon as the details have been finalized, Porsche SE will publish the subscription price, the total number of new preference shares, the subscription ratio and the subscription period in the prospectus accompanying the capital increase.

I am sure you will appreciate that I cannot share the details of the capital increase with you today as the prospectus has to be approved by the German Federal Financial Supervisory Authority (BaFin) first. But this much is certain: As far as the preference shares are concerned, it will be a capital increase with trading of subscription rights. This means that on a particular day yet to be specified, the subscription rights will be posted to the securities accounts of the holders of preference shares in Porsche SE when the stock markets close. The subscription period and the trading of subscription rights will then begin the following day.

All holders of preference shares must inform their custodian bank what they wish to do with their subscription right. There will be no compensation for subscription rights that are not exercised.

Trading of subscription rights will take place on the regulated market of the Frankfurt stock exchange. The subscription rights will receive their own securities identification number for this purpose. We will not apply for subscription rights trading at any other stock exchange.

Following the end of the subscription period and subscription rights trading, the performance of the capital increase can be entered into the commercial register of the Stuttgart district court. We will publish the result of the subscription offer on Porsche SE’s website. Next, the new preference shares will be included in Porsche SE’s listing and the shares will be delivered in book-entry form.

The new shares will carry full dividend rights for the past short fiscal year 2010. The finalized dividend proposal will – after the capital increase is carried out – be presented to the annual shareholders' meeting of Porsche SE on 17 June 2011 for voting.

Porsche SE intends to use the target issue volume of five billion euro to significantly improve its net liabilities. This is a prerequisite for the merger of Porsche SE into Volkswagen AG. Following the successful implementation of the capital increase, this figure will be reduced to approximately 1.5 billion euro.

First of all, it is intended to use the proceeds from the capital increase to repay the 2.5 billion euro tranche A of the existing syndicated loan, which is due for repayment on 30 June 2011. Any remaining net proceeds will be used exclusively to further reduce the company's liabilities.

The authorizations granted at the annual general meeting on 30 November 2010 to issue convertible bonds, participation rights, participating bonds or a combination of these instruments and the related contingent capital created for this purpose have the sole purpose of increasing the likelihood of the capital increase's success to the greatest extent possible. They are significant only in the event that the direct capital increase failed to yield the full target issue volume.

With the capital increase, the executive board of Porsche SE will successfully complete another central point on the agenda pursuant to the basic agreement regarding the creation of the integrated automotive group. But we have also taken a step forward when it comes to the legal hurdles that lie ahead of the planned merger of Porsche SE into Volkswagen AG.

Last year, a total of 46 plaintiffs filed six actions for damages in the USA against Porsche SE and the former members of its executive board Dr. Wendelin Wiedeking and Holger P. Härter with the United States District Court for the Southern District of New York. It is alleged in the complaints that Porsche SE's activities in connection with its acquisition of a stake in Volkswagen AG during the year 2008 constituted market manipulation and misrepresentation in violation of the U.S. Securities Exchange Act. Porsche SE believes that the complaints are legally insufficient and without merit, and has sought their dismissal. In December 2010, the U.S. court dismissed all the complaints at first instance as legally insufficient. The plaintiffs appealed this decision in January 2011.

Of course, we have not cleared all the hurdles yet. The appeal proceedings in the USA could go on for up to one year. In addition, it is currently not possible to conclusively assess the effects on the merger of the claims for damages brought by various fund companies and a private individual in Germany, as well as by altogether 26 plaintiffs in the USA before a state court. And the Stuttgart public prosecutor’s investigations against two former executive board members of Porsche SE, among others, are not expected to be completed before the start of 2012 at the very earliest. Moreover, the legal and tax assessment of the transaction is not yet completed. This is due to external factors, among them the fact that the tax framework for the merger is not yet set.

We are also unable to predict the outcome of the votes on the merger at the annual general meetings of the two companies involved, Porsche SE and Volkswagen AG. However, we can underscore that Porsche SE’s executive board assumes that it will be possible to successfully clarify the current uncertainties and that the merger will be able to go ahead, even if this is after 2011.

Apart from this, from 2012 onwards the alternative approach to the integrated automotive group set out in the basic agreement will come into play, which is for Volkswagen AG to increase its investment in Porsche Zwischenholding GmbH. For this purpose, Porsche SE and Volkswagen AG have granted each other put and call options for the remaining 50.1 percent of the shares in Porsche Zwischenholding

GmbH mentioned earlier. These options can be exercised at defined times within the period from 15 November 2012 to 31 January 2015.

We cannot say with certainty which approach Porsche SE will take. But this much is clear, even today: If the direct capital increase is a success in the coming weeks, Porsche SE – having discharged most of its liabilities, and with its 50.1 percent shareholding in Porsche Zwischenholding GmbH and its holding of 50.7 percent of Volkswagen AG’s ordinary shares – will not only be well prepared for the creation of the integrated automotive group, but will also be an attractive investment itself.

To conclude my speech, let me emphasize one point again: My colleagues on the executive board of Porsche SE and I assume that the merger can succeed, if necessary even after 2011. And we know that we have the backing of important parties involved: Volkswagen, Porsche, the Porsche and Piëch families as well as the employee representatives of both companies.

Thank you.