Speech

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Ladies and gentlemen,

Welcome to the press briefing on the annual results of Porsche Automobil Holding SE. We last met here in Zuffenhausen on 19 October to talk about the fiscal year 2009/2010. Today, hardly five months later, we are presenting the figures for the short fiscal year 2010 with which we have changed our fiscal year to run concurrently with the calendar year. To start with, I can tell you that: From August to December 2010, we were able to reproduce the successful results of the preceding fiscal year. And more than that: We even improved our performance again.

In the short fiscal year, we returned to a solid profit after tax of 1.28 billion euro at group level. This shows very clearly that Porsche SE is back on track for success. And we have every reason to be optimistic about our future.

The key driver of this success has been the excellent performance of our two investments. Porsche AG is setting an enormous pace. In the short fiscal year 2010, Porsche was once again one of the most profitable automakers in the world, with a return on sales of 18 percent. The operating result came to 688 million euro. In the past year, the Volkswagen group once again demonstrated the power of its multi-brand strategy: Revenue totaled around 127 billion euro, some 20.6 percent up on the prior year. And the operating result almost quadrupled to a record figure of 7.1 billion euro.

These figures confirm once again that: Porsche SE has a stake in two exceptionally successful automobile manufacturers that are well placed to master the challenges of the future. This means that our company has a robust foundation. And now Porsche and Volkswagen are to merge – creating a strong, integrated automotive group with excellent prospects for the future. And there could hardly be a more favorable time for this.

The phase in which the international automobile industry had to struggle with massive declines in sales is now history. Consumer confidence has returned. The world economy is growing. German exports are booming. And our industry has recovered from the effects of the financial crisis considerably faster than many experts had expected.

With a total of 58.7 million vehicles, the global passenger car market grew by more than 11 percent last year. The fourth quarter in particular was characterized by extremely strong growth. The key drivers of growth were the BRIC states; in other words, Brazil, Russia, India and China. The Chinese market in particular developed very strongly, with an increase of 35 percent to 11.5 million passenger cars. China has seen the formation of a social class with high purchasing power in recent years. People wish to give outwardly demonstrate to their professional success. They value German-made quality and technology. And that is why there has been unprecedented demand particularly for premium models from German automobile brands.

In 2011, the automotive industry again got off to a strong start. There can be no doubt that we continue to face a demanding global economic environment. Let me mention as just two examples, the issues of commodity prices and the continued high level of debt in many national economies. However, we are very optimistic as regards the rest of this year and economic developments in the automotive industry overall. The prerequisites for Porsche and Volkswagen to continue their success and grow significantly are therefore excellent.

The business development of the past year demonstrates just how consistently the two companies have leveraged their opportunities. Let me start with the Volkswagen group. Mr. Müller will tell you about Porsche AG's key figures later.

In 2010, the Volkswagen group's brands delivered around 7.2 million vehicles worldwide – almost one million more than in the prior year. At 13.7 percent, the group enjoyed a higher growth rate than the market as a whole. The Volkswagen group's share of the global passenger car market rose to 11.4 percent. Almost all group brands recorded growth – some with good double-digit figures. Volkswagen passenger cars, Audi and Škoda developed very dynamically and achieved a double-digit increase in deliveries. There was also an upwards trend at SEAT. In the luxury segment, the situation has relaxed appreciably. Bentley increased deliveries by 11 percent. For Lamborghini, with 1,300 deliveries, 2010 remained a year of transition. At Volkswagen commercial vehicles, there was again a clear upward trend. And Scania also saw an almost 47 percent increase in unit sales, a great step forward after a difficult year for trucks in 2009.

These encouraging sales figures confirm that the Volkswagen group's broad range, covering virtually all segments and vehicle classes, has also and particularly paid off during the upturn. This diversity will be enhanced and systematically extended, with over 30 new models in the current year. On this basis, the Volkswagen group expects 2011 to be a very successful fiscal year.

However, it is also clear that the automobile business continues to be extremely demanding. Our industry faces enormous challenges. First: We are working flat out on new drive technologies such as electromobility. Second: At the same time, our developers are continually reducing the consumption of conventional drive systems. This is because efficient combustion engines will continue to dominate for a long time before the technological paradigm shift reaches the roads. And then third: We need to be fully committed to tapping into the new, emerging markets. At the same time, competition and pricing pressure are constantly rising.

In light of these challenges, Porsche AG and the Volkswagen group are joining forces. We are taking great strides toward our shared goal: We want to create a powerful, integrated automotive group with ten strong brands and we are determined to do so.

As a highly innovative, profitable specialist in sporty vehicles, Porsche will play a key role within this group, of that I am firmly convinced. A strong group will open up a whole range of new opportunities for this fascinating traditional brand to achieve its full potential. The brand will again provide powerful impetus for the group’s growth, not least through the systematic expansion the range of models. And it will do so without compromising on exclusivity. Porsche was and remains uncompromisingly sporty and exclusive. These core values are inviolable – and that is how they will stay.

Together, Volkswagen and Porsche are striving to reach the top of the automobile industry league table and are on course to achieve this. Key prerequisites for the planned merger have already been created. The next major milestone is the upcoming capital increase at Porsche SE. Preparations for this are progressing right on schedule. The capital increase will make a very significant contribution to sustainably reducing our company's liabilities. This reduction in liabilities is a prerequisite for the planned merger of Porsche SE into Volkswagen AG.

The Porsche and Piëch families will make a significant investment as part of the capital increase. Qatar Holding, as another major shareholder, has also indicated its willingness to invest. And the holders of preference shares of Porsche SE approved the capital measures with a large majority at the annual general meeting in late November. As you can see, the overwhelming majority of our owners firmly believe that the planned capital increase is right for the company and will contribute to achieving our goals. This is an important token of the trust placed in Porsche SE and the integrated group. And we are very optimistic that we will succeed in persuading our shareholders to subscribe.

I cannot and will not pretend that there are no obstacles that have yet to be overcome to achieve the planned merger. These include the tax risks associated with the merger. But, above all, we still have a number of legal hurdles to clear.

In the USA, claims filed by hedge funds against Porsche SE are still pending. The New York state court dismissed these complaints at first instance as legally insufficient, unconditionally confirming our legal opinion. Moreover, we regard the US claims without merit. Appeals have been lodged against the first-instance decision. We will continue to resolutely defend ourselves with all legal means.

In Germany, shareholders have applied for conciliatory proceedings against Porsche SE. Porsche SE is not taking part in these proceedings. We consider the asserted claims for damages to be without merit. Furthermore, an investigation by the public prosecutor against two former members of the executive board of Porsche SE has been ongoing in Germany for just over a year and a half.

We firmly believe that the facts are on our side and that we have the better case in all of these legal issues. However, final clarification of the outstanding legal points may take until after 2011. This also reduces the probability that the merger can be achieved in accordance with the timeline of the basic agreement. The probability that the necessary resolutions of the annual general meeting will be taken in the current year has fallen from 70 to 50 percent.

However, irrespective of all these formal considerations, one thing is clear: The integrated automotive group will be realized! The basic agreement provides for Volkswagen AG to increase its investment in Porsche Zwischenholding under certain circumstances, thereby indirectly acquiring Porsche AG in full. This is another way that the integration could become a reality.

But let me make this quite clearly: The merger is and will remain our common goal. And we intend to stick to it. Porsche and Volkswagen are working hard on the structural changes required to prepare our companies for the merger. At the same time, we are systematically and rapidly driving collaboration at an operating level. We have launched promising cooperation projects in all areas.

Porsche and Volkswagen are collaborating closely and efficiently on the basis of clearly defined rules. And we are making excellent progress toward achieving the intended synergies. As you know, we have set ourselves the long-term goal of increasing the group's operating result by around 700 million euro annually. Today, we have already set up projects to achieve essential parts of this target. And this figure does not even include our large-scale vehicle and module projects. But another thing is clear, too: A large portion of potential synergies will be achievable only once the merger into an integrated group has taken place.

A decisive factor in the merger of two companies is trust between the people involved. I can state with conviction that there is great trust between Porsche and Volkswagen. And we have the right team spirit. We are very happy about this development. Only a year and half ago, many observers would not have believed we could achieve this.

The personnel changes are also making excellent progress – and are delivering positive results in many areas. Five months ago, I told you about a number of important changes to the company boards. In the meantime, there has been another change:

On 1 February, Wolfgang Hatz was appointed to the executive board of Porsche AG. As Wolfgang Dürheimer's successor, he is responsible for research and development. However, he will retain his previous position as head of powertrain development at the Volkswagen group. This, too, is evidence of the important future role of Porsche in the integrated group. Mr. Dürheimer is now bringing his extensive experience at Porsche to bear as chairman of the executive board at Bentley Motors and president and managing director of Bugatti. Moreover, he has taken on the function of motorsport director for the Volkswagen group.

And another important appointment has been made: From 1 April, Uwe-Karsten Städter will join the executive board of Porsche AG. He will be in charge of the newly created procurement function. Mr. Städter is a proven expert in procurement. Since 2007, he has headed up group procurement for electrics/ electronics at Volkswagen AG. Before this, he was responsible for purchasing in other areas of the Volkswagen group.

Our personnel is also becoming increasingly integrated. This demonstrates the consistent approach we are taking toward the merger. Now more than ever, we at Porsche feel that the combination of Porsche and Volkswagen is based on clear logic from an industry perspective. And we are convinced that the integration will give rise to an even stronger base, even more powerful multi-brand group with an excellent position worldwide. All stakeholders will benefit as a result: Our employees as well as our customers. And, of course, our shareholders. And that is why we are looking ahead with great confidence.

Let me put it this way, ladies and gentlemen: Volkswagen and Porsche are already major-league players. But we are not satisfied simply to be contenders. We want to secure a long-term position at the very top. Our team has got what it takes to achieve this. Now more than ever.