

## Speech

by Professor Dr. Martin Winterkorn

President and Chief Executive Officer of Porsche Automobil Holding SE

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Ladies and gentlemen,

Welcome also on my behalf to this conference here in Stuttgart.

About eleven months ago, I was appointed as the new CEO by the supervisory board of Porsche Automobil Holding SE. In spite of the difficult economic conditions, we were able to keep the company on course and reduce our liabilities considerably.

The group's earnings after tax totaled minus 454 million euro in the fiscal year 2009/10. This is a significant improvement on the figure expected when Porsche SE published its six-monthly financial report. In the prior year, the group's loss for the year came to around 3.6 billion euro.

This positive development was driven by the excellent operating performance of our investments:

- Porsche AG remains the most profitable carmaker. Revenue increased by 17.9 percent to some 7.8 billion euro in the past fiscal year. The operating profit rose substantially to around 1.2 billion euro.
- The Volkswagen group again impressively demonstrated the competitive advantages of its multi-brand strategy. Revenue in the first half of 2010 came to around 62 billion euro, up 20.7 percent on the prior year.
- Operating profit more than doubled to over 2.8 billion euro.

These figures are proof that Porsche SE plays a key role in two of the world's strongest companies in the automotive industry, companies ideally placed to master the challenges of tomorrow. We are now placing the focus on systematically realizing our shared goal: to make the integrated automotive group of Volkswagen and Porsche happen.

Ladies and gentlemen,

The automotive industry has been through a lean period. Passenger car markets worldwide were hit hard by the crisis on the financial markets, collapsing dramatically in some cases.

The economy has meanwhile jump started again in many countries. We are over the worst and are slowly gathering speed again. By the end of the year, the total worldwide passenger vehicle market is expected to surpass the 56-million threshold. This is good news indeed.

But: the automotive industry is still far from the 2007 sales level – the year before the crisis broke. Despite all regained optimism, we must not forget this. There is a lot of hard work ahead of us yet, to make up for all effects of the crisis. In this regard we are in a transitional phase which brings with it challenges, but also offers opportunities for all manufacturers.

Porsche AG and the Volkswagen group are well prepared, as the current business development of our investments demonstrates. The Volkswagen group is publishing its

key figures for the third quarter in a few days. Of course I cannot go into details now, but on a general note one thing is clear: Volkswagen is still in the fast lane!

From January through September, more than 5.4 million vehicles of the group's brands, including Scania, were delivered worldwide. Compared to the prior-year figure, this represents an increase of almost 12,7 percent.

- The Volkswagen passenger cars, Audi and Škoda brands recorded good double-digit growth rates. SEAT, too, exceeded its prior-year level.
- Bentley started to recover again following the significant drop in sales in the luxury segment.
- The business with super sports cars at Lamborghini remains difficult, however.
- There is a clear upwards trend with respect to light commercial vehicles.
- And Scania made a great leap forward, with growth of around 37 percent.

This strong market position is also reflected in the six-month figures, which have improved considerably as I mentioned earlier.

However, even in the Volkswagen group, these things do not just happen by themselves. Since March this year, we have seen a continuous decrease in growth rates on the global passenger car market. This development supports our assessment that the business will remain challenging. And the current economic euphoria in Germany will not change this either. For the fact remains that the economic environment is not clear cut and subject to uncertainties. In addition, the entire automotive industry is facing dramatic changes:

- Because we are experiencing a technological paradigm change and are having to invest heavily in all relevant drive types.
- Because shifts in the segment and country mix pose increasing challenges for an adequate return.
- And because cost-competition is becoming ever keener.

The conditions in which we operate are therefore set to remain harsh. In view of these challenges, Porsche AG and the Volkswagen group have chosen just the right time to join forces. The integrated automotive group is starting to take shape more clearly.

With its outstanding expertise in the field of sports cars, Porsche will play an important role in the integrated group. I am confident that with its attractive product portfolio, new, fascinating models and additional model series, and cutting-edge technology as a basis, Porsche AG has what it takes to increase unit sales in the medium term to an unprecedented level.

Porsche will remain true to itself and its brand values. This is guaranteed by the association with the Volkswagen group and with its development and production resources.

Ladies and Gentlemen,

We are firmly convinced that the integrated group has every ability to take the lead in the automotive world – and defend it in the long term. But I want to state this quite clearly, Volkswagen and Porsche are joining forces to become the number 1. The number 1 in our vehicles' appeal and quality, in innovative power and process

efficiency, in customer satisfaction and, last but not least, in unit sales and all key business indicators.

We have already reached important milestones along our way. These include the basic agreement including the agreements implementing it, Volkswagen's investment in Porsche Zwischenholding and the successful capital increase at Volkswagen AG.

But there is still quite a way to go: important tasks – above all the planned capital increase at Porsche SE – have yet to be accomplished successfully.

We also have, as you know, yet to take a tax hurdle and some legal ones: investigations by the public prosecutor are ongoing, there are several claims filed by hedge funds in the United States, and conciliatory proceedings have been applied for in Germany.

We believe that the US claims are inadmissible and without merit and have sought their dismissal. In addition, we have refused to join the conciliatory proceedings applied for in Germany. We firmly believe that the facts are on our side and that we have the better case in all of these legal issues.

Nevertheless, we cannot rule out that the proceedings may take a while yet until a final ruling is handed down. For this reason, there could be a delay with the planned merger. Let me be quite clear about this: the integrated automotive group will happen!

One alternative may be to increase Volkswagen AG's investment in Porsche Zwischenholding. This possibility is expressly provided for under certain circumstances

in the basic agreement. Should this – to date only theoretical – option become necessary, Porsche SE would still retain a very sound financial basis.

But I would not want any misunderstandings to arise: the merger is and will remain our declared aim. And we will continue to work towards it. Mr. Pötsch will give you a detailed overview next of where we are at with the implementation of the basic agreement.

Ladies and gentlemen,

Porsche and Volkswagen are working intensively on the structural and organizational prerequisites for the merger. At the same time, we are putting all efforts into bringing our operations together: Porsche is, for instance, now integrated in all important boards and committees of the Volkswagen group. And together we have launched a whole range of small and large cooperation projects in all departments and fields of technology: in development, production and procurement, for engines, electronics and platforms, right through to IT, financial services and sales.

In all of these areas, our cooperation – governed by clearly defined processes – is based on an open and trusting relationship. And we are making great progress towards realizing the intended synergies. Joint procurement activities and economies of scale will offer the greatest potential for cost savings. But our project teams are also venturing into completely new territory: expensive infrastructure, for instance, such as testing facilities or research and development centers can be shared in future.

Let me put it this way: Volkswagen and Porsche are working together as a team! And our team spirit is also reflected by the important changes on the company boards in the past few months.

Michael Macht was appointed to Volkswagen's board of management as of 1 October. He is in charge of global production and logistics for all brands in the group.

Matthias Müller, previously in charge of product strategy in the Volkswagen group, is the new CEO of Porsche AG and member of Porsche SE's executive board. Mr. Müller will tell you about Porsche AG's business development in a few minutes.

As of 1 August, Frank Tuch, the head of Porsche's quality management for many years, was appointed head of quality assurance management in the Volkswagen group. Porsche has a long-standing reputation for excellent product quality. This is demonstrated not least by the top positions that Porsche regularly wins in the J.D. Power ratings. Porsche is the benchmark here – also for brands in the Volkswagen group.

In Klaus-Gerhard Wolpert, another top manager from Porsche has assumed a central role in the Volkswagen group: since 1 October he has been managing the group's product strategy as Mr. Müller's successor. At Porsche Mr. Wolpert had been responsible for the Cayenne model series.



Ladies and gentlemen,

As you have noticed: we are closing ranks and are our personnel are also getting closer. At Porsche and Volkswagen, we have managers who have an intimate knowledge of the other company in each case from their own experience. And both sides are open-minded and willing to learn from each other.

We are building on a cooperation that has proved itself over many years. The fact that this alliance makes sense from an industry perspective is also reflected, for example, by the successful cooperation on the “Colorado” SUV project. Porsche, Volkswagen and Audi have systematically shared their expertise and made use of synergies – from predevelopment to the manufacturing stage. The Porsche Cayenne, Volkswagen Touareg and Audi Q7 have nevertheless preserved their unique and characteristic brand identity.

This is precisely what is at the center of the multi-brand strategy of the Volkswagen group. And this is precisely how we will now take the alliance between Porsche and Volkswagen to an entirely new level by means of a whole range of projects.

Ladies and gentlemen,

At Porsche SE we are today facing the future with optimism. We know that the combination of Porsche and Volkswagen is based on a clear and compelling industrial logic. Together, we can and will further expand our leading position in the automotive industry: with strong brands, with appealing products, with a powerful technological performance and with an excellent team.

All stakeholders stand to benefit from this: Porsche and Volkswagen, our employees and our customers. And last, but not least the shareholders of Porsche Automobil Holding SE. For as I said at the start: they are playing a key role in two of the companies best placed to master the challenges of tomorrow's automotive industry.

The integration will give rise to a multi-brand group with a stronger base, more powerful operations and excellent worldwide presence. I am sure: the integrated automotive group will shape the future of our industry very decisively.

Thank you!