PORSCHE SE

Annual Report 2007/08

Annual General Meeting
January 30, 2009
Interim Report 1st six months
March 2009
Financial Press Conference on 2008/09 fiscal year
November 2009
Analyst Conference on 2008/09 fiscal year
November 2009

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In case of doubt the german version is binding.

		1998/99 HGB	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	
Sales	**EUR million**	**3,161.3**	**3,647.7**	**4,441.5**	**4,857.3**	**5,582.0**	**6,147.7**	**6,574.0**	**7,273.0**[3]	**7,367.9**	**7,466.4**	**Sales**
Domestic	EUR million	955.6	893.2	1,001.3	1,121.0	1,482.5	1,213.6	1,267.0	1,234.0	1,326.4	1,365.4	Domestic
Export	EUR million	2,205.7	2,754.5	3,440.2	3,736.3	4,099.5	4,934.1	5,307.0	6,039.0	6,041.5	6,101.0	Export
Vehicle Sales (new cars)	**units**	**43,982**	**48,797**	**54,586**	**54,234**	**66,803**	**76,827**	**88,379**	**96,794**	**97,515**	**98,652**	**Vehicle Sales (new cars)**
Domestic Porsche	units	10,607	11,754	12,401	12,825	13,896	12,176	13,902	13,921	14,314	13,524	Domestic Porsche
Export Porsche	units	33,375	37,043	42,185	41,409	52,907	64,651	74,477	82,873	83,201	85,128	Export Porsche
Vehicle Sales Porsche	units	43,982	48,797	54,586	54,234	66,803	76,827	88,379	96,794	97,515	98,652	Vehicle Sales Porsche
911	units	23,090	23,050	26,721	32,337	27,789	23,704	27,826	34,386	37,415	31,423	911
Boxster/Cayman[4]	units	20,892	25,747	27,865	21,897	18,411	12,988	18,009	27,906	26,146	21,747	Boxster/Cayman[4]
Carrera GT	units	–	–	–	–	–	222	660	368	9	–	Carrera GT
RS Spyder	units	–	–	–	–	–	–	–	–	2	4	RS Spyder
Cayenne	units	–	–	–	–	20,603	39,913	41,884	34,134	33,943	45,478	Cayenne
Production	units	**45,119**	**48,815**	**55,782**	**55,050**	**73,284**	**81,531**	**90,954**	**102,602**	**101,844**	**105,162**	**Production**
Porsche total	units	45,119	48,815	55,782	55,050	73,284	81,531	90,954	102,602	101,844	105,162	Porsche total
911	units	23,056	22,950	27,325	33,061	29,564	26,650	28,619	36,504	38,959	34,303	911
Boxster/Cayman[4]	units	22,063	25,865	28,457	21,989	18,788	13,462	20,321	30,680	26,712	22,356	Boxster/Cayman[4]
Panamera	units	–	–	–	–	–	–	–	–	–	3	Panamera
Carrera GT	units	–	–	–	–	7	270	715	290	–	–	Carrera GT
RS Spyder	units	–	–	–	–	–	–	–	–	4	3	RS Spyder
Cayenne	units	–	–	–	–	24,925	41,149	41,299	35,128	36,169	48,497	Cayenne
Employees	**at year-end**	**8,712**	**9,320**	**9,752**	**10,143**	**10,699**	**11,668**	**11,878**	**11,384**	**11,571**	**12,202**	**Employees**
Personnel expenses	EUR million	574.9	631.3	709.9	799.4	849.5	949.7	964.8	1,037	1,264.3	1,358.5	Personnel expenses
Balance Sheet												**Balance Sheet**
Total assets	EUR million	1,916.1	2,205.4	2,891.6	5,408.7	6,315.0	9,014.3	9,710.1	14,640.5	23,332.4	45,577.3	Total assets
Shareholders' equity	**EUR million**	**587.4**	**782.0**	**1,053.3**	**1,466.8**	**1,754.5**	**2,920.8**	**3,420.2**	**5,338.0**	**9,481.0**	**16,846.0**	**Shareholders' equity**
Fixed assets	EUR million	525.6	577.7	731.8	2,207.7	2,663.3	2,380.1	2,428.4	5,680.8	9,759.9	11,168.1	Fixed assets
Capital expenditures	EUR million	155.0	243.7	293.8	1,119.5	1,295.2	1,111.1	919.0	4,083.0	3,881.3	1,383.4	Capital expenditures
Depreciation	EUR million	183.7	196.6	132.7	278.8	392.2	381.5	510.5	488.8	531.7	569.4	Depreciation
Cash flow	EUR million	407.8	424.7	418.4	781.5	1,007.9	1,120.4	1,335.3	1,873.0	4,834.9	7,020.6	Cash flow
Extended cash flow	EUR million	592.5	506.5	764.4	1,067.3	1,389.6	1,511.7	1,332.1	2,100.6	5,642.2	8,198.3	Extended cash flow
Income before tax	**EUR million**	**357.0**	**433.8**	**592.4**	**828.9**	**933.0**	**1,137.0**	**1,238.0**	**2,110.0**[3]	**5,857.0**	**8,569.0**	**Income before tax**
Net income	EUR million	190.9	210.0	270.5	462.0	565.0	690.0	779.0	1,393.0[3]	4,242.0	6,392.0	Net income
Dividends paid in total	**EUR million**	**21.9**	**26.4**	**45.0**	**297.0**	**59.0**	**69.5**	**87.0**	**157.0**	**384.5**	**472.0**	**Dividends paid in total**
Dividends per share[1]												Dividends per share[1]
Ordinary share	EUR	0.123	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	Ordinary share
Preference share	EUR	0.128	0.153	0.260	0.300 + 1.40	0.340	0.400	0.500	0.600 + 0.30	0.700 + 1.50	0.700 + 2.00	Preference share
DVFA/SG earnings per share[1, 2]	EUR	1.30	1.37	1.72	2.78	3.52	–	–	–	–	–	DVFA/SG earnings per share[1, 2]
Earnings per ordinary share[1]	EUR	–	–	–	–	–	3.963	4.468	7.810	23.980	35.943	Earnings per ordinary share[1]
Earnings per preference share[1]	EUR	–	–	–	–	–	3.969	4.474	7.822	23.986	35.949	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] Deutsche Vereinigung für Finanzanalyse und Anlageberatung/Schmalenbach-Gesellschaft (German society of investment analysts).
[3] Incl. figures from discontinued operations of CTS Group.
[4] Cayman from fiscal year 2005/06

PORSCHE SE

Annual Report 2007/08

To our shareholders

The Company

Financials

We are realizing our industrial logic

The goal is clear: Porsche intends to acquire the majority shareholding in the Volkswagen Group, thereby creating a clear ownership structure. Some may have found the strategy for realizing this goal difficult to understand at times, but it has always and solely been focused on our industrial logic: we are safeguarding the core business of Porsche and Volkswagen, and are forging an automotive alliance that will successfully master the big challenges of the future as global competition gets ever tougher.

The global financial crisis and the enormous mistrust among the banks themselves accompanied by the unexpectedly severe economic downturn all over the world has made consumers very cautious, and no carmaker can any longer remain unaffected by these developments. Porsche began preparing for this eventuality some time ago, for example running down production for the USA. Our policy of not granting ex works discounts is paying off. The fact that Porsche has not artificially driven up sales means we can build on a stable foundation in this time of crisis.

And we would rather continue to take a dip in sales than move away from this solid policy. Not only that – as we know, the foundation for future success is laid in stormy times, and not when the going's good. So we are all the more certain that we are following the right path with Porsche Automobil Holding SE. Our emerging new business entity can realize joint developments and harness savings potential without jeopardizing the independence of the individual brands. A necessary prerequisite is a group structure acceptable to both Volkswagen and Porsche. Realizing this new structure will be the next milestone on the road to creating one of the most successful automotive alliances of the future.

With regard to the rights of Volkswagen's workforce, the Porsche Executive Board has proposed that, even if the VW law is abolished, decisions concerning plant closures or the relocation of capacity taken by the Volkswagen Supervisory Board will require a two-thirds majority. This proposal is evidence of Porsche's determination to give top priority to the security of Volkswagen jobs in Germany. We are also in no doubt that the new VW law which the German government proposes to introduce has no future.

In its judgment of October 2007, the European Court of Justice already found key elements of the legislation to be incompatible with European law. Given the pressing problems of the global financial and economic crisis, the fact that the German government has nevertheless tabled a new version of the VW law with the German Bundestag lowering the blocking minority to 20 percent is not without a certain degree of irony. Germany would face heavy fines should the European Court of Justice rule against the country in infringement proceedings, money that would come out of all taxpayers' pockets – private individuals and companies alike. Moreover, this would be entirely superfluous, since the compromise we have put on the table means that no Volkswagen Group employee needs legislative protection of this kind. We unreservedly support German co-determination and employees' rights as anchored in law. Anyone who claims this is not the case is wrong.

Porsche will continue to advocate the abolition of the VW law, because the same rules must apply for Volkswagen as for every other DAX-listed company. And all protagonists must be fully aware that government exclusive rights have no future in a united Europe. That is something all those who criticize such special rights in other European countries while at the same time advocating the preservation of the antiquated VW law should take to heart.

We would indeed be poor businessmen if we were simply to accept the new VW law. Our intention to raise our shareholding in Volkswagen to 75 percent of ordinary shares in 2009 is contingent on an economically meaningful framework for such a step. It would, however, be wrong to keep this basic objective under wraps, thereby bowing out of the discussion simply to avoid controversy. Our shareholders and stakeholders would criticize us for that one day – and with reason.

Porsche hedged its purchase of Volkswagen shares with extensive cash settled options that make us participate in changes in the price of VW ordinary shares. This action was taken to prevent speculators from narrowing the options open to us for raising our stake in VW. Share price trends since we made our initial commitment have confirmed the wisdom and significance of this decision. Prior to our action, VW shares were at rock bottom, valued at less than 40 Euro. In the following three years, the share value climbed to over 200 Euro, before stock market turbulence pushed the price of Volkswagen ordinary shares above 1,000 Euro. Such share prices leaves reality behind. We assume, that at the time this occurred, the share price was to a significant extent driven by so-called short sellers who bet on falling share prices in order to subsequently repurchase the shares and take the profit from the difference between the sale price and the repurchase price.

Porsche shares also felt the effects of irrational behavior on stock exchanges. Our shares were at times hard hit in a generally weak market reeling from an onslaught of bad news from the automotive industry all over the world. The share price failed to reflect neither the Company's perspectives nor the value of the stake in VW. Nevertheless, Porsche kept its focus on pursuing its long-term corporate policy geared to increasing value. Some players on the capital market may have taken a different view and speculated on stock buybacks or sales incentive packages. We firmly believe, however, that the interests of our shareholders are better served by adhering to the mainstays that brought us excellent share performance in the past.

While it would have been very hard to predict the turbulence on the stock markets, we were well aware of the conflict potential surrounding Volkswagen before we announced our intentions regarding our participation: the State of Lower Saxony, the European Union, the trade unions all vehemently represent their interests, as they are indeed entitled to do. We knew that the debate would sometimes lack objectivity and occasionally take the wrong turning. One of the most striking discrepancies came when some officials at the IG Metall union praised Schaeffler's majority takeover of Continental, while our participation in Volkswagen was harshly criticized. This discrepancy has yet to be resolved.

It is worth bearing in mind that Porsche Automobil Holding SE brings benefits to all parties: the VW Group is safe from the threat of being broken up by financial investors, employees' rights are firmly anchored in Porsche Automobil Holding SE, and the jobs of Volkswagen employees in Germany are just as safe as those at Porsche. Our goal now is to make a united effort to bring the Company forward.

Every step we have taken in forging an alliance between Porsche and the VW Group has been necessary and has been taken with the full consent of the Supervisory Board. We could not have proceeded at a faster pace. And – given the conflict potential – the going could not have been less turbulent, either. Now, we can look ahead, because we have invested very substantially and have a vested interest in bringing the project to a successful conclusion. Porsche SE sees itself as a modern financial holding with a strategic mission, and does not intend to intervene in VW's operational business. Our aim is sustainable international competitiveness.

The signs are good. Porsche has a healthy core business, the outstanding sales success of our new Cayenne with its low-consumption direct fuel injection engine impacted very positively on the financial year which has just come to a close. We posted a new sales record in spite of the difficult market environment. The latest generation of the cult 911 models was launched at the end of the year under review. These cars also feature direct fuel injection engines. The 911 Carrera with the Porsche Doppelkupplungsgetriebe (PDK) uses less that ten liters per 100 kilometers – and is therefore a benchmark in its class, not just as far as lap times on the North Loop of the Nürburgring are concerned, but also as regards fuel consumption.

Porsche continued its preparations for a possible crisis scenario in the 2007/08 financial year. This far-sighted policy has proved its worth. However, the political debate on government rescue packages for banks would seem to indicate that economic conditions are hardly likely to brighten in the foreseeable future. Developments in the USA in particular, our largest individual market, cannot be calculated with any reliable degree of certainty at the moment. There are unmistakable signs of a serious slump in demand in the automotive sector.

Porsche cannot escape this downward trend, so we do not at present anticipate that it will be possible to repeat the high sales figures of the last fiscal year. The next big step in our development comes with the launch of our Gran Turismo Panamera. This vehicle will create quite a stir the world over and will give our positive development fresh impetus.

Dr. Wendelin Wiedeking
President and Chief Executive Officer of
Porsche Automobil Holding SE

Company boards Porsche Automobil Holding SE [1)]

Members of the Supervisory Board

Dr. Wolfgang Porsche
Diplom-Kaufmann
Chairman

Uwe Hück *
Head of works council of the Group
Head of works council at
Zuffenhausen and Ludwigsburg
Deputy Chairman

Hans Baur *
Diplom-Ingenieur
Trade union secretary

Prof. Dr. Ulrich Lehner
Member of shareholders commitee
of Henkel AG & Co. KGaA

Wolfgang Leimgruber *
Head of body shell and paint shop

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

Dr. Hans Michel Piëch
Attorney

Dr. Ferdinand Oliver Porsche
Investment management

Hans-Peter Porsche
Ingenieur

Hansjörg Schmierer *
Trade union secretary

Walter Uhl *
Head of works council
at Weissach

Werner Weresch *
Automotive mechanic
Member of works council

Dr. Ludwig Hamm * [3)]
Diplom-Ingenieur
Department head

Jürgen Kapfer * [2)]
Project manager

Members of the Executive Board

Dr.-Ing. Wendelin Wiedeking
President and Chief Executive Officer of
Porsche Automobil Holding SE
President and Chief Executive Officer of
Dr. Ing. h.c. F. Porsche AG

Holger P. Härter
Diplom-Volkswirt
Finance
Vice President of
Porsche Automobil Holding SE
Vice President of
Dr. Ing. h.c. F. Porsche AG

Klaus Berning [2)]
Sales and Marketing
Member of Executive Board of
Dr. Ing. h.c. F. Porsche AG

Wolfgang Dürheimer [2)]
Diplom-Ingenieur
Research and Development
Member of Executive Board of
Dr. Ing. h.c. F. Porsche AG

Thomas Edig [2)]
Diplom-Betriebswirt (BA)
Human Resources/Labor Relations Director
Member of Executive Board of
Dr. Ing. h.c. F. Porsche AG

Michael Macht [2)]
Diplom-Ingenieur
Production and Logistics
Member of Executive Board of
Dr. Ing. h.c. F. Porsche AG

* Elected employees representative

1) As of 31 July 2008 or the date on which members left the Supervisory Board or the Executive Board of Porsche Automobil Holding SE

2) With registration of Porsche Automobil Holding SE in the commercial register at 13 November 2007 solely member of the Executive Board of Dr. Ing. h.c. F. Porsche AG

3) until 13 November 2007

Report of the Supervisory Board

The Supervisory Board assumed the supervision and advisory functions imposed by law and articles of incorporation and bylaws over the reporting period. For this purpose, the Supervisory Board addressed in detail the Company's economic conditions and strategic development at a total of five meetings.

Reincorporation as a European stock corporation
A major event in fiscal 2007/08, Dr. Ing. h.c. F. Porsche Aktiengesellschaft was reincorporated as a European stock corporation (Societas Europaea) and renamed "Porsche Automobil Holding SE". In connection with the reincorporation, Porsche's complete operating business was spun off to a wholly owned subsidiary that has assumed the name "Dr. Ing. h.c. F. Porsche Aktiengesellschaft". On 26 June 2007, the extraordinary general meeting of Dr. Ing. h.c. F. Porsche Aktiengesellschaft passed resolutions concerning the reincorporation and the spin-off. These resolutions entered into effect upon entry in the commercial register of the Stuttgart local court on 13 November 2007. Since then, Porsche Automobil Holding SE has acted as a holding company for the investment in the (new) Dr. Ing. h.c. F. Porsche Aktiengesellschaft and the investment in Volkswagen Aktiengesellschaft.

The term of office of the former Supervisory Board members ended when the former Dr. Ing. h.c. F. Porsche Aktiengesellschaft was reincorporated as a European stock corporation on 13 November 2007. A new Supervisory Board had to be elected at Porsche Automobil Holding SE, the composition of which had to comply with new legal provisions, in particular the articles of incorporation and bylaws and the agreement on the representation of employees in Porsche Automobil Holding SE (representation agreement). The Supervisory Board continues to comprise twelve members, of which six are shareholder representatives and six are employee representatives. The six shareholder representatives were appointed by a resolution concerning the reincorporation at the extraordinary general meeting on 26 June 2007. On 4 July 2007, the employee representatives were appointed by the Stuttgart local court based on the representation agreement. The founding meeting of the new Supervisory Board of Porsche Automobil Holding SE was held on 24 July 2007. In the course of this founding meeting, Dr. Wolfgang Porsche was elected chairman and Mr. Uwe Hück was elected deputy chairman. In addition, the Supervisory Board appointed the two Executive Board members of Porsche Automobil Holding SE, Dr.-Ing. Wendelin Wiedeking (chairman) and Mr. Holger P. Härter (deputy chairman).

Cooperation between the Supervisory Board and the Executive Board
As part of its advisory and oversight functions, the Supervisory Board was kept informed in detail, continuously and promptly throughout the fiscal year of the Company's position, business progress and business policy by means of written and verbal reports from the Executive Board, and in joint meetings, in compliance with legal requirements.

The reporting dealt in particular with the situation of the Company, business development and business policy. The Supervisory Board was also kept up to date with market developments and the progress of business divisions. Prime importance was attached to monthly reports containing and explaining significant current quantity and financial data with reference to the budget and the previous year's figures. In the reporting year, the chairman of the Supervisory Board was continually in contact with chairman of the Executive Board. The Supervisory Board has examined the main planning and decision-making documents and satisfied itself that these are correct and adequate. The Supervisory Board reviewed and discussed all the reports and documents presented to the extent required. No objections were raised to the work of the Executive Board.

The Supervisory Board examined fundamental issues of corporate planning, in particular financial, investment and human resources planning. It was involved in all decisions of fundamental importance for Porsche Automobil Holding SE or the Porsche Automobil Holding Group. The Supervisory Board approved all matters presented to it by the Executive Board for approval in accordance with the articles of incorporation and bylaws or the rules of procedure of the Executive Board. The Supervisory Board continually satisfied itself that the Executive Board is duly conducting the Company's business and has taken all the necessary measures in good time and effectively. This also applies to appropriate risk provisioning and compliance.

The Supervisory Board also satisfied itself that the Executive Board took the measures for which it is responsible pursuant to Sec. 91 (2) AktG ["Aktiengesetz": German Stock Corporations Act], and that the risk monitoring system prescribed therein works effectively.

Significant issues addressed by the Supervisory Board in fiscal 2007/08

Apart from the reincorporation into a European stock corporation described above and the simultaneous spin-off of Porsche's operating business into a wholly owned subsidiary, in fiscal 2007/08 the Supervisory Board continually addressed the step-up of the investment in Volkswagen Aktiengesellschaft, including the related regulatory requirements. In this context, the Supervisory Board also addressed issues concerning employee representation. In addition, the Supervisory Board stayed abreast of developments concerning the VW law following the VW ruling of the European Court of Justice.

Organization and meetings of the Supervisory Board

In fiscal 2007/08, the Supervisory Board held four ordinary and one extraordinary meeting, of which one ordinary meeting was held prior to the conversion of the Supervisory Board of Dr. Ing. h.c. F. Porsche Aktiengesellschaft. No member of the supervisory board attended fewer than half of the meetings. If unable to attend meetings, the Supervisory Board members sometimes participated in the resolutions by casting votes in writing.

The Supervisory Board has formed an Executive Committee that makes decisions on the conclusion, amendment and cancellation of the employment agreements of the Executive Board members and transactions requiring the approval of the Supervisory Board in urgent cases. The Executive Committee makes suggestions to the Supervisory Board as regards the appointment of members to the Executive Board. The Supervisory Board appoints the members of the Executive Board directly and can revoke the appointment if required. Following the reincorporation, the Executive Committee replaced the Standing Committee of the former Dr. Ing. h.c. F. Porsche Aktiengesellschaft, which acted as a personnel and mediation committee within the meaning of Sec. 27 (3) MitbestG ["Mitbestimmungsgesetz": German Co-determination Act]. No other committees were established.

The Executive Committee comprises the chairperson of the Supervisory Board, his deputy and a shareholder representative and employee representative elected from the Supervisory Board. Dr. Hans Michel Piëch was elected as a new member of the Executive Committee at the extraordinary meeting of the Supervisory Board on 3 March 2008. He thus assumed the seat left by Dr. techn. h.c. Ferdinand K. Piëch, who stepped down from the Executive Committee. Dr. Wolfgang Porsche, Mr. Uwe Hück and Mr. Hans Baur are also members of the Executive Committee. The Executive Committee met five times, of which one meeting was held prior to the conversion from the Standing Committee of Dr. Ing. h.c. F. Porsche Aktiengesellschaft. It was not necessary to convene the Mediation Committee.

Corporate Governance
The Supervisory Board and the Executive Board have again discussed the recommendations and suggestions of the German Corporate Governance Code 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 annual report 2007/08. The Supervisory Board examined the efficiency of its activities on a regular basis.

Audit of the financial statements for fiscal 2007/08
The financial statements of Porsche Automobil Holding SE prepared by the Executive Board and the consolidated financial statements for fiscal 2007/08, together with the bookkeeping system and the combined management report and group management report have been audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart. The scope of this audit included the measures of the Executive Board for the early detection of risks that could jeopardize the continued existence of the Company as a going concern. The auditors have not raised any objections and have confirmed this by rendering an unqualified audit opinion.

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 AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, 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 Supervisory Board agrees with the audit findings of Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart. By conclusion to its own review, the Supervisory Board has raised no objections. The Supervisory Board has approved the financial statements and consolidated financial statements for fiscal 2007/08. The financial statements are thus ratified. The Supervisory Board has declared that it is in agreement 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 7 November 2008 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.

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 companies report). 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 detail at the meeting of the Supervisory Board on 7 November 2008 and reviewed with regard to 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.

Thank you

The Supervisory Board expresses its gratitude to the Executive Board, the employees’ elected representatives and all employees in acknowledgement of their dedicated work in the past fiscal year.

Stuttgart, 7 November 2008
The Supervisory Board

Wolfgang Porsche

Dr. Wolfgang Porsche
Chairman


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Group Management Report and Management Report of Porsche Automobil Holding SE

Porsche again reported new records in sales, turnover and profit. Production hit an all-time high, too. More automobiles than ever rolled off the assembly line at the Leipzig factory. Porsche's continued success has also created new jobs.

World economy in decline
The previous phase of growth in the world economy, which lasted four years, came to an end in the year under review. Factors relating to the US financial and real estate crisis, soaring oil prices and growing inflationary pressure in many places put a damper on economic development across the globe. The US in particular saw a clear slowdown in economic growth, that was already starting to make itself felt in late 2007. The situation continued to deteriorate in the following months. Private consumer spending, the most important pillar of the US economy, stagnated in the wake of the mortgage bubble bursting, which pitched the US economy into a recession in 2008.

While the rest of the world was unable to escape the repercussions of these developments, the impact varied. On the one hand the large emerging markets of China, India and the Middle East maintained high levels of growth, and markets in Latin America remained largely stable despite close trade ties to the US. In the European Union, on the other hand, certain countries were drawn into the maelstrom, the most prominent of which was the UK. However, Spain, France and Italy also showed first signs of a recession in 2008. The economic depression put the brakes on the European automotive industry. Sales within the industry declined steadily throughout the year, down almost four percent for the first eight months of the year.

Germany withstood the negative effects of the world economy for a relatively long time, but increasingly felt the effects of the economic sea change over the course of 2008. As early as 2007, high inflation that was largely homemade on account of the VAT hike led to a considerable drop in private consumer spending. Then, in the summer of 2008, spending fell to its lowest level in five years. Export forecasts and investment also fell. The drop in new orders in the first half of 2008 was the worst for 15 years. In the second quarter of 2008, the German economy shrank for the first time in four years.

Porsche generates record sales
Despite the clear slowdown in the world economy, Porsche Automobil Holding SE once again raised the bar for vehicle sales in fiscal 2007/08. Dr. Ing. h.c. F. Porsche AG, a wholly-owned subsidiary, increased its sales 1.2 percent to 98,652 vehicles.

Porsche's growth in the year under review was driven by the Cayenne model series. Growing 34.0 percent to 45,478 vehicles, sales in the sporty off-road vehicle set new records. The new, particularly sporty Cayenne GTS, which was introduced onto worldwide markets in stages beginning in February 2008, contributed to this success with 6,942 units sold. Of the total unit sales of the Cayenne, the basic version with the V6 cylinder engine accounted for 19,291 units and the V8 cylinder engine for 26,187 vehicles, 6,842 of which were Turbos.

With 31,423 vehicles sold, sales of the 911 series were 16.0 percent below the prior year's figure, which had been particularly high. In light of the change in model for the 911 Carrera in the second half of fiscal 2007/08, this sales figure represents a respectable success. Demand for the two- and four-wheel drive variants of the 911 Carrera fell as anticipated toward the end of the year under review in line with the product lifecycle. The new 911 Carrera with traditional rear-wheel drive was launched on the European market in July 2008. The new generation of the 911 Carrera with direct fuel injection and the high-tech Porsche Doppelkupplungsgetriebe (PDK) which considerably reduce fuel consumption and emissions was launched on the all-important US market in September 2008. This meant that vehicles did not come onto the market in the US until fiscal 2007/08 was over. The new all-wheel drive variants of the 911 Carrera and 911 Targa models were on display in dealership showrooms a month later, in October 2008. In the period under review, the higher-priced GT3, GT2, Turbo and Turbo Cabriolet variants made up 36.8 percent of total sales of the 911, with 11,574 vehicles sold.

The two mid-engined sports cars Boxster and Boxster S held steady in fiscal 2007/08, achieving sales figures of 5,309 and 4,701 respectively. The Cayman and Cayman S saw intense competition in their market segment, finishing the period with 5,693 and 6,044 units sold. With a total of 21,747 vehicles sold, the entire Boxster series saw sales that were down 16.8 percent on the prior year but remained well above the 20,000-vehicle mark. Porsche's unit sales also contain four RS Spyder racing cars.

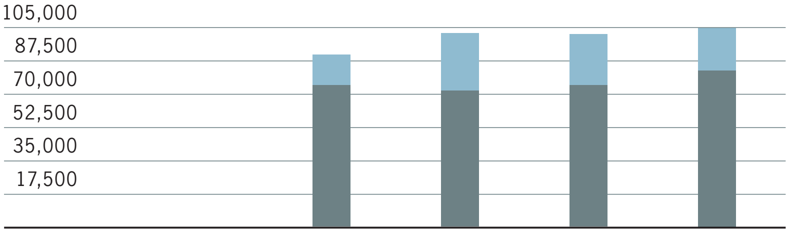
Once again, group unit sales in the reporting year were lower than the number of vehicles actually produced. This was due to the fact that vehicles used within the Porsche Group are not recorded as new car sales. These include company cars and leased cars for employees, test vehicles, vehicles for the company fleet, test cars for the press, presentation vehicles and demo vehicles as well as replacement cars for customers for the sales companies within the Group and for dealers. These vehicles are sold as used cars and are thus not included in new car sales at the Porsche Group.

Heading for growth in emerging markets
Growth in Porsche's unit sales varies between the different regions of the world. Growth rates in emerging markets such as China and the Middle East remain strong. The sports car manufacturer was able to increase unit sales outside of its main markets Germany and North America by six percent to 52,595 vehicles. 8,190 units were sold on the Chinese market alone (prior year: 3,377 vehicles).

At 32,533 units, the development of unit sales in North America was satisfactory, the drop amounting to a mere 3.1 percent. Porsche had long been prepared for a possible economic crisis in the US and Canada, and had cut back inventories there some time ago. At 13,781 units, the Cayenne series outstripped the number of vehicles sold in the preceding year by 27.5 percent. Launched in March 2008, the Cayenne GTS model came to 2,595 units sold. The 911 series fell 19.9 percent to 10,267 vehicles due to lifecycle factors. The mid-engined sports cars of the Boxster series sold 8,483 units, 14.8 percent less than in the preceding fiscal year.

In Germany, the automotive industry had to overcome the effects of the VAT hike in addition to the worldwide slowdown in consumer spending. Porsche saw sales in Germany fall 5.5 percent to 13,524 vehicles. The Cayenne sporty off-roader came to 3,895 vehicles, while sales of 911 sports cars fell 9.0 percent to 6,645 units due to lifecycle factors. 16.3 percent less Boxster series vehicles were sold (2,984 vehicles).

Porsche Vehicle Production
in units



	2004/05	2005/06	2006/07	**2007/08**
Finland	15,892	30,395	26,712	**22,356**
Germany	75,062	72,207	75,132	**82,806**

Revenue also increasing
Porsche Automobil Holding SE's revenue rose in parallel with the growth in vehicle sales in fiscal 2007/08, rising 1.3 percent to 7.466 billion Euro. At 7.060 billion Euro (constituting growth of 1.3 percent), the main portion of group revenue was generated in the vehicle business. The financial services entities recorded revenue of 410.1 million Euro, mainly from leases, loans and credit cards.

Leipzig plant in top gear
A total of 105,162 vehicles were produced in fiscal 2007/08, 3.3 percent more than in the prior year. The plant in Leipzig was working at full capacity, more vehicles than ever with 48,497 units of the Cayenne series rolling off the line. Year-on-year growth amounts to 34.1 percent. 34,303 vehicles of the 911 series were produced in Stuttgart-Zuffenhausen, a 12.0 percent reduction. With 22,356 units produced, the Boxster series saw a 16.3 percent drop in production volume. Three RS Spyder racing cars were also produced in Weissach.

More jobs created again
Porsche's success enabled the creation of new jobs. The number of employees at the Group rose 5.5 percent to 12,202. New openings were created above all in research and development, sales, the Leipzig plant and the subsidiaries Porsche Consulting and Mieschke Hofmann und Partner (MHP) Gesellschaft für Management- und IT-Beratung mbH. Preparations for the start of series production of the Gran Turismo Panamera are now well underway in Leipzig. The production of Porsche's fourth model series has led to the creation of 600 new jobs. Hiring was carried out in the year under review and in the current fiscal year 2008/09.

Increased development costs
Considerable investment was again made in the new, four-door Gran Turismo Panamera. This fourth Porsche series will be launched on the world markets in 2009. Considerable expenses were also incurred for the hybrid drive that Porsche is to incorporate into both the Cayenne and the new Panamera. This pushed spending on internal development above the comparable figure from the prior year by a three-digit million sum, which itself had already constituted an increase.

Porsche Drives Home Record Result
In the prior fiscal year, Porsche managed to raise group pre-tax earnings to 5.857 billion Euro thanks to the share in Volkswagen AG. In the year under review, Porsche was once again able to increase the group's pre-tax earnings to well above 8.569 billion Euro. Again, the disproportionately large increase is attributable to non-recurring effects in connection with the investment in Volkswagen.

The pre-tax operating result adjusted for non-recurring effects from hedging, the interest result of Porsche Automobil Holding SE and income from at-equity consolidation came to 1.0 billion Euro, which was highly satisfactory given the fact that a range of factors detracted from earnings. These negative influences include the further increase in spending for the development of the Gran Turismo Panamera and the environmentally-friendly hybrid drive, to be fitted in the Cayenne and Panamera series. The change in exchange rate of the euro against the US dollar also affected the result of Porsche compared to the previous fiscal year.

As the investment in Volkswagen is consolidated at equity, pro rata net income of Volkswagen AG must be allocated to the Porsche Group. Porsche's allocation is based on its ordinary shares of 30.3 percent. This is equivalent to 22.3 percent of the ordinary and preference shares issued by Volkswagen AG. The amount disclosed by the Porsche Group as income totaled 1.007 billion Euro. The dividend for the equity investment came to 160.4 million Euro. This dividend was recorded as income from equity investments at Porsche SE.

Income from hedging transactions concluded in connection with future purchases of Volkswagen shares came to a total of 6.834 billion Euro in the 2007/08 fiscal year.

Porsche achieved an excellent earnings level in the reporting year in comparison with its competitors thanks to further improvements in productivity, a stringent approach to costs and prudent hedging with respect to major currencies such as the US dollar. The group net income for the year rose 50.7 percent to 6.392 billion Euro. Porsche's equity investments in Germany and abroad contributed to the positive development of earnings.

At Porsche SE, the pre-tax earnings calculated in accordance with the provisions of the German Commercial Code rose 113.1 percent to 6.217 billion Euro. Net income for the year rose 126.9 percent to 4.380 billion Euro. This was influenced by 1.734 billion Euro of income from profit and loss transfer agreements and income from equity investments totaling 160.4 million Euro in addition to income from hedging transactions.

Capital expenditures, amortization and depreciation

Capital expenditures once again ran at a high level in the reporting year. This was on the one hand due to the increase in business volume and preparations for new model variants, and on the other hand to spending on a wide range of construction projects. This primarily concerns the expansion of the Leipzig plant, where Porsche's fourth model series will be built from 2009. A further important construction project is the construction of the museum on Porscheplatz in Zuffenhausen. In the reporting year, total construction expenditures of 156.5 million Euro were recognized.

787.6 million Euro was invested in property, plant and equipment and intangible assets (prior year: 579.0 million Euro). At the financial services entities, capital expenditure on leased assets amounted to 573.9 million Euro, 8.3 percent less than in the prior year.

Porsche SE invested a total of 22.9 million Euro in financial assets. 21.9 million Euro of this sum went towards stepping up the equity investment in Volkswagen AG, carried out as a result of a mandatory bid to all Volkswagen shareholders due to the fact that the 30 percent voting right threshold had been exceeded. 1.0 million Euro went towards the establishment of Porsche Holding Finance plc. in Dublin.

Amortization and depreciation within the group increased to 569.4 million Euro, compared to 531.7 million Euro in the prior year. The financial services entities recorded depreciation, amortization and write-downs of 200.0 million Euro on leased assets (prior year: 182.9 million Euro).

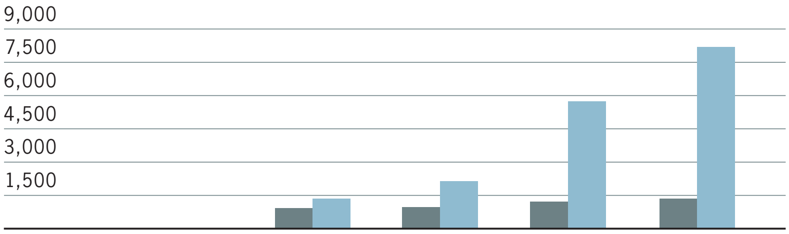
Cash flow

Extended cash and cash equivalents – i.e. including changes in other provisions – came to 8.198 billion Euro, up from 5.642 billion Euro in the prior year. Gross liquidity rose from 4.844 billion Euro in the prior year to 11.393 billion Euro. This is offset by the increase in liabilities from loans and to banks, which total 14.470 billion Euro following 4.561 billion Euro in the prior year.

In December 2007, Porsche Automobil Holding SE issued a hybrid bond with a nominal volume of one billion euro in a private placement via Porsche Holding Finance plc, Dublin. The bond was placed with large institutional investors in Europe, Asia and the Middle East. This success is all the more remarkable in view of the dampening effect on the market of the financial crisis in North America and the fact that Porsche does not have a rating. The funds from the placement will be used to refinance the VW investment and the liquidity reserve.

Group equity was at 16.846 billion Euro, up from 9.481 billion Euro in the preceding fiscal year.

Capital Expenditures* and Extended Cash flow
Extended Cash flow including changes to other provisions
in million Euro



	2004/05	2005/06	2006/07	**2007/08**
Capital Expenditures	919	959	1,205	**1,362**
Extended Cash flow	1,332	2,101	5,642	**8,198**

* without financial investment

Events after the reporting date
On 16 September 2008, Porsche Automobil Holding SE acquired a further 4.89 percent of the ordinary shares of Volkswagen AG. This raised the total equity investment in the Wolfsburg-based automotive manufacturer to 35.14 percent of the overall voting rights. This guarantees Porsche a lasting majority at VW's shareholders' meeting, essentially giving it control of the Wolfsburg group for corporate law purposes. These participation ratios mean Porsche was legally required to submit a formal mandatory bid for the Volkswagen subsidiary Audi AG, in Ingolstadt. As Porsche Automobil Holding SE did not intend to acquire a share in Audi, the Company only offered Audi shareholders the legally required minimum price of 485.83 Euro per share. Volkswagen AG had previously announced that it would not accept the offer for its 99.14 percent share in Audi. The mandatory bid therefore concerned only the 0.86 percent of shares in free float, which corresponds to about 370,000 Audi shares.

The period for accepting the mandatory bid was limited to the shortest legally permissible period of four weeks. It began on 29 September 2008.

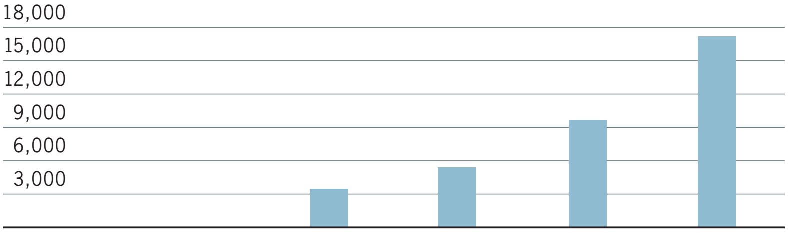
In the time from 16 September 2008 to 20 October 2008, Porsche Automobil Holding SE acquired a further 7.49 percent of the voting shares in Volkswagen AG.

Thanks to employees, business associates and shareholders
An exceptional level of commitment was once again required from all Porsche employees in the year under review, in Germany and elsewhere, throughout all of the Company's divisions. The high level of production, preparation for new models and international presentation of new vehicles to journalists, dealers and customers posed particular challenges. Others included further sales and marketing and development activities. The Executive Board would like to thank all those involved for their dedication. As a token of appreciation, all full-time employees covered by collective bargaining agreements that have been with the Company for at least a year share, as in previous years, in the positive operating result. They will each receive a voluntary one-off payment totaling 6,000 Euro.

We would also like to thank our shareholders, who have once again displayed their trust in the company's excellent prospects, the employees' elected representatives, who worked together with the management on far-reaching strategic decisions, as well as our suppliers and business associates in the sales organizations. Without their support it would not have been possible for Porsche to achieve its ambitious goals, let alone to far outperform these goals.

Remuneration report
The remuneration of the Executive Board consists of fixed and variable components. There are also guarantees in the form of pension entitlements in the event of a termination of employment. Further details are given in the notes to the consolidated financial statement in note [38] "Remuneration of the supervisory board and executive board".

Equity
in million Euro



	2004/05	2005/06	2006/07	**2007/08**
	3,420	5,338	9,481	**16,846**

Opportunities and risks of future development
According to Sec. 91 (2) AktG ["Aktiengesetz": German Stock Corporation Act], Porsche is required to operate a risk management and early warning system. The German Commercial Code also calls for reports to be issued on future developments and the opportunities and risks associated with them. Annual planning meetings are held to examine and evaluate the opportunities and risks associated with all business activities. The degree to which the objectives from the planning rounds are fulfilled is monitored during the year by the reporting system. If any changes to or deviations from the market or competitive situation develop, the monitoring system records and analyzes them immediately, supplying details without delay to the Company's decision-makers. This procedure allows negative trends to be identified without loss of time and immediate countermeasures to be taken.

The main risks faced by Porsche Automobil Holding SE are associated with its equity investments in Volkswagen AG and Dr. Ing. h.c. F. Porsche AG. Analyst estimates and other opinions are regularly monitored in order to gain an impression of the development of VW's shares.

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 Porsche AG are therefore described in more detail.

At Porsche AG, the group's opportunities and risks are evaluated in the context of the annual planning process. 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.

Continuous monitoring of business processes
The auditors have confirmed that the Porsche risk early warning system is in line with the legal requirements of Sec. 91 (2) AktG and that the system has not indicated the presence of any occurrences at Porsche AG that could have a significant and lasting effect on the Company's net assets, financial position and results of operations.

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 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.

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. These can then be compensated by redistributing market-specific vehicle volumes and tapping new markets.

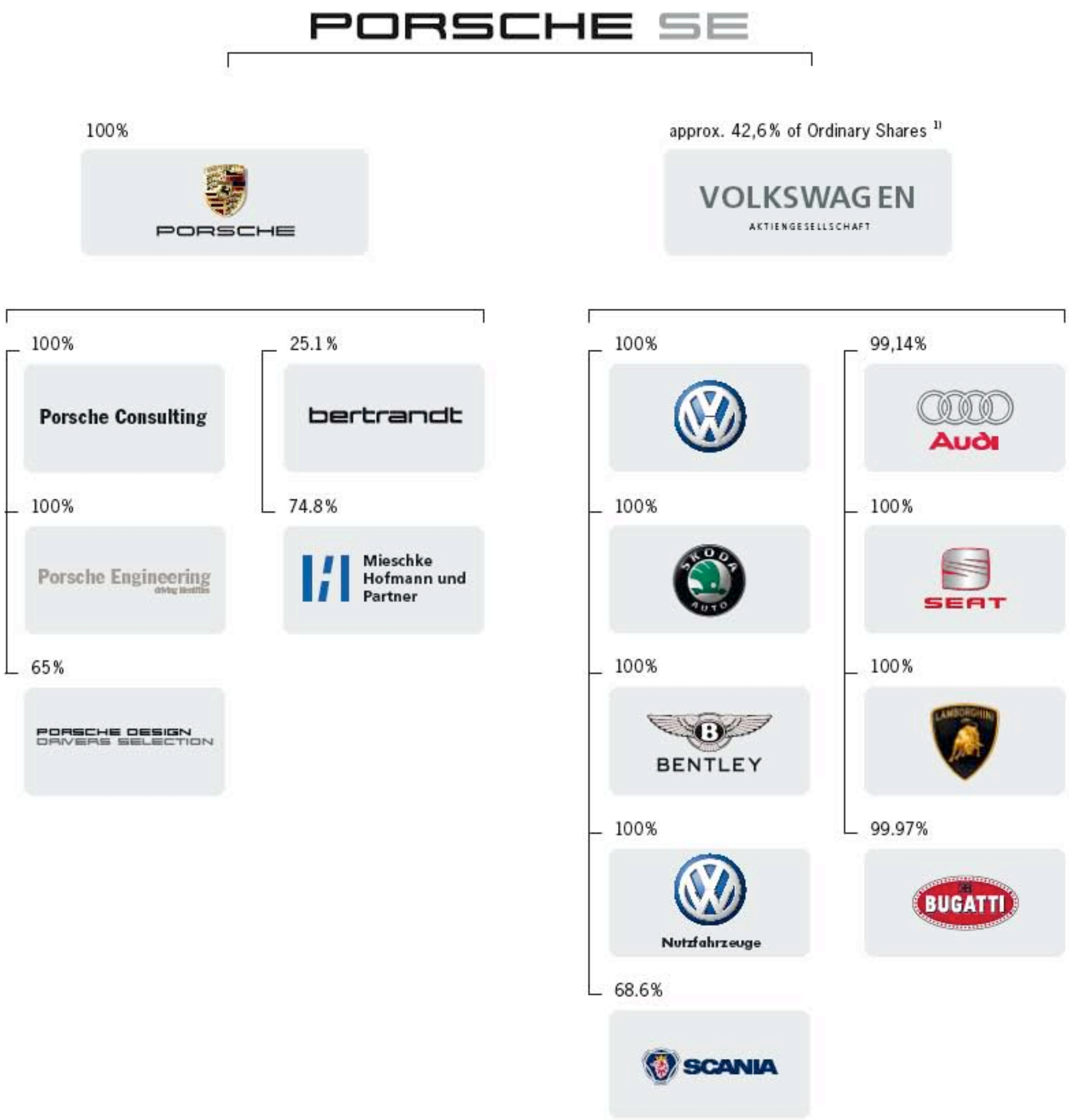
The rising prices of raw materials and oil are having an increasing impact on production costs. Raw materials markets are permanently monitored and analyzed in order to enable Porsche AG to effectively plan for future material costs. Long-term contracts with suppliers also hedge against the risk of price fluctuations. In order to protect Porsche AG 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.

Porsche SE has acquired share options for Volkswagen shares in order to safeguard the purchase price of the share. 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 Porsche, the leasing business entails the risk of vehicles not being saleable at the planned price following the expiry of leasing 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.

Porsche AG is constantly developing new products in pursuit of its strategic sales plans. In order to avoid developing products that do not meet the needs of consumers, the Company conducts trend studies and market surveys before making decisions on new vehicle projects. Porsche AG hedges against potential breaches of industrial property rights that could lead to considerable compensation claims when developing new vehicles, Porsche AG conducts research into worldwide industrial property rights in parallel with development. Porsche is in a position to quickly spot whether the industrial property rights of third parties are affected.

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, Porsche AG 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, Porsche AG 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, Porsche has an escalation model. If defined thresholds are exceeded – for example if an unacceptably high number of vehicles leave the conveyor belt in the wrong order – a meeting of a certain group of persons is convened in order to take appropriate



[1] as of 20 October 2008

countermeasures without delay. This process helps ensure that vehicles are manufactured to plan.

A positive image is crucial to any Company. Porsche's communications strategy 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. Porsche 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. As is the case with any other company, Porsche 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 Group.

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. Porsche AG's risk management system 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.

Porsche's high quality goals are implemented both in production and in the development of new vehicles. In doing so, care is taken 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 Porsche AG serve to ensure quality. These are 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 the development goals without significantly delaying the development project.

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.

Dependent company report drawn up
As mentioned in the annual reports for recent years, the structure of the holders of Porsche SE ordinary shares has changed in recent years as a result of restructuring of their holdings. As in the previous years, in accordance with Sec. 312 AktG Porsche has been advised by its legal counsel to draw up a report on relations with companies associated with holders of ordinary shares (a dependent company report). The conclusions of this report are as follows: "In accordance with the circumstances known to it when the legal 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 measures calling for submission of a report in accordance with Sec. 312 (1) Sentence 2 AktG in the year under review".

Outlook
The future development of the world economy holds many more risks than in previous years. In the US, the government and the Federal Reserve attempted to stabilize the economy by issuing tax rebates and lowering interest rates. The financial crisis expanded dramatically despite these efforts. The collapse of a major investment bank and the 700 billion dollar rescue package from the US government revealed the precarious state of the world economy at the end of 2008. Even if a long-term recession can be avoided in the US, 2009 will at best see the gradual recovery of the economy.

Apart from the US economy, the high price of oil proved a crucial factor in the development of the global economy. A further price shock could lead to new reductions in growth. After the record of 147 dollars for a barrel of crude oil in mid-2008, prices have fortunately begun to come back down. However, this also reflects the weakness of the world economy and the ensuing drop in demand.

Although eurozone countries were able to profit in the fall of 2008 from exports to the emerging economies of China, Russia and India, they are unable to escape the pending recession that is spreading from the US. This also applies to Germany. The rescue package totaling hundreds of billions of euros introduced by the EU in October 2008 with the aim of mitigating the financial crisis will do little to change this situation.

The German economy has a strong position in foreign markets thanks to its range of products. It offers premium consumer goods and capital goods that are in demand in the rich oil-producing countries as well as in China. Exports remain the

most important engine of the economy. If the oil price and rate of inflation develop favorably private consumer spending could recover in 2009, while unemployment is expected to remain low. However, Germany will not be able to avoid an interruption in growth.

New 911 Carrera well received by customers
With regard to the current 2008/09 fiscal year, Porsche Automobil Holding SE sees high demand for the new 911 Carrera models with direct fuel injection and Porsche Doppelkupplungsgetriebe (PDK). The basic variant of the 911 Carrera was launched on the important US market on 20 September 2008. The 911 Targa models, the latest additions to the 911 family with reduced-emission drive systems, are to be launched onto worldwide markets on 25 October 2008. In spring, the product portfolio is to be made even more appealing by the reissue of the Boxster series mid-engined sports cars.

At the same time, it is difficult to make reliable statements on the development of the entire current fiscal year in the current economic climate. Porsche anticipates the next growth spurt in the subsequent 2009/10 fiscal year, with the market launch of the Panamera. As well as enabling Porsche to benefit from the growth in demand for luxury vehicles in the large emerging markets of China, the Middle East and Russia, the four-door, four-seater Gran Turismo will also make waves in the traditional sales regions of Europe, North America and Japan.

Stuttgart, 20 October 2008

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.

The conversion of Dr. Ing. h.c. F. Porsche AG into Porsche Automobil Holding SE, concluded on 13 November 2007, was an important step in the furtherance of Porsche's corporate governance structure. Designed for international operations, this corporate organizational form allows a modern and efficient corporate charter and thus creates the best possible prerequisites for the continuous development of the Porsche Group.

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. The differences this leads to compared to the statutes of a stock corporation mainly pertain to the formation and composition of the supervisory organ. 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.

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.

For the Supervisory Board, the change in legal form to an SE brought with it substantial changes in the legal basis. The German co-determination law in which the size and composition of the Supervisory Board of a German stock corporation is regulated does not apply to SEs. Instead, the size and composition of the Supervisory Board is 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 bylaws. 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

The shareholders exercise their rights in the general shareholders meeting. When passing resolutions, each ordinary share of Porsche Automobil Holding 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 general shareholders 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. The general stockholder meeting elects members of the Supervisory Board; in the election of employee representatives they are bound by the proposals of the employees. Among other things, the general shareholders meeting adopts resolutions on the exoneration of the Executive Board and the Supervisory Board, the appropriation of profits, capital measures and amendments to the statutes.

Financial reporting and annual audit

The financial reporting of the Porsche Group is 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 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

Porsche 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 Porsche is continuously tested for efficiency and continually optimized to reflect changed conditions. For details, please refer to the pages 19 to 22.

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 statutes of Porsche Automobil Holding SE and information about the general stockholder meeting.

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 Porsche's homepage.

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 conformity 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. 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.

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 since 9 August 2008 to the version of the Code amended 6 June 2008 which was published in the electronic Federal Gazette on 8 August 2008.

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 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 electronic Federal Gazette. However, it has not and does not comply with the following recommendations, primarily as a result of company-specific factors.

"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) German Corporate Governance Code).

This recommendation is not complied with. 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 Executive and Supervisory Boards 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.

"At the proposal of the committee dealing with management board contracts, the full supervisory board shall resolve and regularly review the management board compensation system including the main contract elements." (No. 4.2.2 (1) German Corporate Governance Code).

The structure of the remuneration system for the Executive Board of Porsche is discussed and checked regularly in its entirety by the Supervisory Board. Resolutions on the remuneration system, including the main contract elements, are taken by the executive committee which at the same time acts as personnel committee. We see no reason to diverge from this tried-and-tested segregation of duties in future.

“In concluding Management Board contracts, care shall be taken to ensure that payments made to a management board member on premature termination of his contract without serious cause 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)

“Payments promised in the event of premature termination of a management 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)

The implementation of the new recommendations in No. 4.2.3 (4) and the recommendation based thereon in (5) of the German Corporate Governance Code involves considerable legal and practical complications. We have therefore decided not to implement the new Code recommendation.

“Disclosure [of the total remuneration of each member of the management board] should be made in a compensation report which as part of the corporate governance report describes the compensation system for management 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 is not published. In our opinion, the associated disadvantages, particularly the inevitable upward leveling of the board members’ salaries and the invasion of the individuals’ right to privacy, outweigh the advantages to investors of such a practice. The investors are, in any case, unaware of the criteria on which differences between Executive Board members’ salaries are based. The annual general meeting of Porsche AG unanimously passed the legally required resolutions waiving publication on 27 January 2006 as did the extraordinary stockholder meeting of Porsche AG on 26 June 2007.

The basic principles of the remuneration system for the members of the Executive Board are explained in the notes to the consolidated financial statements. In our opinion, an explanation above and beyond that in a separate compensation report does not provide the investor with any additional insights.

“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 German Corporate Governance Code)

The total remuneration of the Executive Board and its composition by fixed and performance-related shares is explained in the notes to the consolidated financial statements. We do not see any additional benefit for the investor in presenting an explanation of the fringe benefits provided by the Company in a separate compensation report.

“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 and risk management and compliance, the necessary independence required of the auditor, issue of the audit mandate to the auditor, determination of audit priorities and 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. 5.3.1 Sentence 1 German Corporate Governance Code)

“The supervisory board is required to form a nomination committee composed exclusively of shareholder representatives and 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. It has always been characteristic Porsche practice that the entire Supervisory Board should be given very detailed information, especially on strategy issues, accounting and risk management, and should hold in-depth discussions on the financial statements with the auditor. The Supervisory Board also deals in-depth with the resolutions proposed to the annual general meeting including election nominations for Supervisory Board members. Besides the Executive Committee, which at the same time acts as a personnel committee and also decides on transactions requiring the approval of the Supervisory Board, no additional committees are to be formed as this neither reflects the way the Supervisory Board works, nor would it improve its work.

“In order to permit independent advice to and supervision of the executive board by the supervisory board, the supervisory board should have what it regards as a sufficient number of independent members. A member of the supervisory board is regarded as independent if he/she has no business or personal relationship with the company or its executive board that could lead to a conflict of interests.” (No. 5.4.2 Sentence 1 and German Corporate Governance Code)

This recommendation does not allow for the special character of Porsche Automobil Holding SE’s shareholder structure. There have been and still are many and varied relationships with holders of ordinary shares that are members of the Porsche and Piëch families. Members of both families sit on the Supervisory Board of Porsche Automobil Holding SE and undertake supervisory functions as co-owners. We see no conflict of interests here.

“Payments to the members of the supervisory board should be reported individually in the corporate governance report, subdivided by component.” (No. 5.4.6 (3) Sentence 1 German Corporate Governance Code)

We show payments to the Supervisory Board in the notes to the consolidated financial statements as a single sum. We do not state the sums paid to individuals because we see no additional advantage for investors in this in view of the level of payments involved and the requirements stated in the articles of incorporation and bylaws.

“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 in the Corporate Governance Report.” (No. 5.4.6 (3) Sentence 2 German Corporate Governance Code)

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. The Company has taken a fundamental decision not to present individual information about the compensation for personal services rendered in the Corporate Governance Report.

“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 information should be contained in the Corporate Governance Report.” (No. 6.6 German Corporate Governance Code)

All ordinary shares are owned by the Porsche and Piëch families; the share ratios are published by Porsche Automobil Holding SE as required by the 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.

“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 4 German Corporate Governance Code)

Porsche has established a publication cycle corresponding to its non-standard fiscal year, which guarantees the company optimum publicity. We do not consider a deviation from this practice to be appropriate.

Stuttgart, 20 October 2008

Porsche Automobil Holding SE
Supervisory Board and Executive Board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Finances

The significant rise in profit at Porsche was in part attributable to the positive effects of cash settled options which make Porsche participate in changes in the stock exchange value of VW shares.

New records set
The Porsche Group once again closed the 2007/08 fiscal year with record figures. The key financial indicators unit sales, sales revenue and especially earnings improved once again, even compared to the extremely high prior year figures. The significant increase in the balance sheet total of the Porsche Group by 22.245 billion Euro to 45.577 billion Euro is mainly attributable to the increase in derivative financial instruments (mainly stock price hedges), cash and cash equivalents and securities as well as the shares in Volkswagen AG accounted for using the equity method.

Capital expenditures on intangible assets, property, plant and equipment and leased assets came to 1.362 billion Euro, following 1.205 billion Euro the year before. Of this amount, 574 million Euro went on vehicles leased by Porsche's financial services companies, compared to 626 million Euro in the prior year. The investment in Volkswagen AG, which was consolidated at equity, stood at 30.3 percent of the ordinary shares as of the balance sheet date 31 July 2008. The mandatory offer which had to be made to all Volkswagen shareholders after the 30-percent threshold was exceeded entailed an investment in shares of 22 million Euro. To secure the takeover bid and in preparation for additional purchases of Volkswagen AG shares, a hedge transaction was also entered into. Amortization and depreciation increased in the reporting year to 569 million Euro compared to 532 million Euro in the prior year.

As of the balance sheet date, the Porsche Group reported fixed assets of 11.168 billion Euro compared to 9.760 billion Euro in the preceding fiscal year. Although the value of fixed assets has risen, their share in the balance sheet total dropped to 25 percent (prior year: 42 percent). The Group's fixed assets were wholly covered by equity. After 97 percent in the prior year, this figure had increased to 151 percent at the end of the 2007/08 fiscal year.

Inventories rose from 625 million Euro to 757 million Euro. Trade receivables accounted for 267 million Euro compared to 266 million Euro the year before. Receivables from financial services dropped slightly from 1.782 billion Euro in the prior year to 1.773 billion Euro. Other receivables and assets amounting to 20.032 billion Euro (prior year: 5.890 billion Euro) contained the financial instruments that were employed; these mainly consisted of currency, interest rate and share price hedges totaling 18.330 billion Euro (prior year: 5.556 billion Euro). The increase also reflects the effects of the rise in the price of the Volkswagen share on the stock price hedges entered into by Porsche.

The share price hedges were designed on the one hand to secure the future purchase of shares of Volkswagen AG, and on the other to obtain short-term liquidity. Cash receipts totaled 392 million Euro. At 92 million Euro, income tax receivables were virtually unchanged (prior year: 91 million Euro). Deferred tax assets amounted to 95 million Euro compared to 75 million Euro the year before.

Gross liquidity increases again

Porsche had secured a line of credit of 35 billion Euro to finance the mandatory takeover bid to Volkswagen shareholders. After the end of the mandatory offer, the credit facility was reduced to ten billion Euro. Porsche drew the whole of this credit line at the contractually agreed interest rates. As a result, cash and cash equivalents rose to 11.393 billion Euro (prior year: 4.844 billion Euro).

Net liquidity, that means cash and cash equivalents less financial debt without financial services, dropped from 0.283 billion Euro in the prior year to minus 3.077 billion Euro. When considering this figure, the substantial increase in derivative instruments should, however, be considered. The cash and cash equivalents used for these financial instruments were not considered when calculating net liquidity. As a result, the extended cash and cash equivalents rose significantly to 8.198 billion Euro (prior year: 5.642 billion Euro). Cash paid for investing activities amounted to 3.060 billion Euro (prior year: 3.552 billion Euro).

Significantly higher equity

In the reporting year, the equity of the Porsche Group rose by 7.365 billion Euro to 16.846 billion Euro. The main reasons for this increase are the significantly higher profit and the issue of an additional hybrid bond. Equity thus now contains two hybrid bonds with a nominal volume of one billion US dollars and a nominal volume of one billion euros respectively. The equity ratio stood at 37 percent compared to 41 percent in the prior year.

The pension provisions together with other provisions amounted to 2.617 billion Euro in the reporting year (prior year: 2.505 billion Euro). All known risks are thus covered. The deferred tax liabilities rose significantly from 613 million Euro to 1.015 billion Euro, mainly due to non-cash income. Trade payables came to 587 million Euro compared to 513 million Euro the year before. Other liabilities came to 6.119 billion Euro (prior year: 2.775 billion Euro). The significant increase in the financial instruments employed was the main reason for the substantial increase.

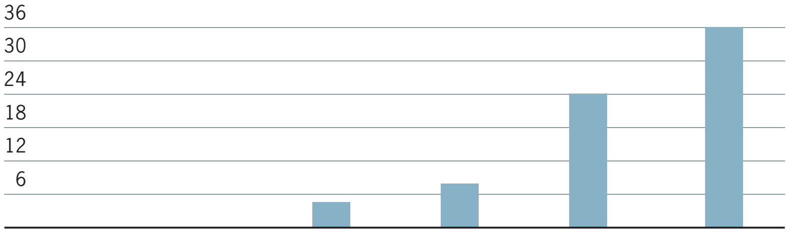
In the reporting year, financial liabilities amounted to 16.386 billion Euro compared to 6.549 billion Euro in the prior year. This increase is due above all to the ten billion Euro drawn on the line of credit. Compared to the prior year, liabilities to bank rose by 9.937 billion Euro. These funds have been used to expand business activities and for the planned increase in the investment in Volkswagen AG. The financial services business was refinanced, mainly using financing structured for the specific country, so-called asset backed structures, with a volume of 1.736 billion Euro. Bonds accounted for 2.295 billion Euro of the financial liabilities.

Earnings remain strong

Porsche earning's power again remained strong in the reporting year. Once again, Porsche succeeded in increasing the extremely high pre-tax profit of 5.857 billion Euro returned by the Group in the previous fiscal year even further. The unusually large leap in earnings in the reporting year to a total of 8.569 billion Euro was, however, due to special factors and non-recurring effects. This also applies to the rise in the net income for the year to 6.392 billion Euro after 4.242 billion Euro in the previous year. These extraordinary effects include Porsche income from equity investments in Volkswagen AG of 1.007 billion Euro. In the prior year, this figure was higher at 1.223 billion Euro because it contained a write-up on the investment in Volkswagen AG of 521 million Euro.

The dividend recognized by Porsche SE in the investment result from the equity investment of 30.3 percent of the ordinary shares held in Volkswagen AG amounted to 160 million Euro. The increase in earnings was primarily attributable to income from share price hedges relating to the acquisition of further shares in Volkswagen AG. This totaled 6.834 billion Euro. Taking into account a negative interest result of Porsche Automobil Holding SE, the operating profit of Porsche was around one billion Euro.

Earnings per Preferred Share
in Euro



	2004/05	2005/06	2006/07	**2007/08**
	4.47	7.82	23.99	**35.95**

The pre-tax profit calculated in accordance with German Commercial Code (HGB) rose to 6.217 billion Euro at Porsche SE; in the previous year this figure stood at 2.918 billion Euro. The after-tax profit of Porsche SE improved from 1.930 billion Euro in the previous year to 4.380 billion Euro.

The increase in overall unit sales also had a positive effect on the Group's sales revenue, which went up by 1.3 percent to 7.466 billion Euro. Other operating income climbed from 7.264 billion Euro to 19.773 billion Euro. On the other hand, other operating expenses increased from 4.600 billion Euro to 13.744 billion Euro. This extraordinarily large increase is attributable first and foremost to the aforementioned share price hedges. Cost of materials rose to 4.170 billion Euro (prior year: 3.660 billion Euro), and now accounts for 53.6 percent of total operating performance after 48.6 percent in the previous year. To a large extent, this increase is a reflection of the change in model mix.

The Porsche Group's personnel expenses rose from 1.264 billion Euro to 1.358 billion Euro. Financial income came to 859 million Euro (prior year: 1.118 billion Euro) and was heavily influenced by the equity investment in Volkswagen AG. The higher level of refinancing has led to higher interest expenses of 576 million Euro (prior year: 272 million Euro). The tax expense of 2.177 billion Euro led to a tax rate of 25.4 percent (prior year: 27.6 percent).

Foreign currency and cash management
The foreign currencies most important to Porsche fluctuated significantly again during the past fiscal year. In view of this situation, the strategy of securing the currencies most important to the Company in the medium term and thus creating a stable planning platform once again proved to be worthwhile. The share price hedging strategy is based on analysis of the principal national economies and on technical currency and analytical models. In a next step, various instruments are implemented to protect Porsche against exchange rate risks.

We also use interest hedges to secure interest-bearing receivables and liabilities. Share price hedges were used to secure the planned additional purchases of shares of Volkswagen AG while stock options also served to obtain short-term liquidity. The market is monitored closely on a daily basis, with reference to selected banks.

Currency and cash management organization was in accordance with the standard drawn up by German industry, and is subject to strict internal control, with directives stating the nature and extent of these transactions and the procedures to be adopted. The basic principle of segregation of functions is adhered to and special data processing systems are employed for the valuation and monitoring of all transactions. 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.

Capital Market

The share split with a ratio of 1:10 was followed by the exchange of shares in Dr. Ing. h.c. F. Porsche AG for the new shares in Porsche Automobil Holding SE. In this way, the Company implemented the resolutions of the previous year's extraordinary shareholders' meeting.

The mood on the international stock exchanges has taken a dramatic downturn over the reporting period. After the finance and real estate crisis in the US started to weigh increasingly heavy on the national economy from the second half of 2007 onwards, a number of other countries got drawn into this economic downward spiral. At the turn of the year, concerns were growing that it was going to bring the global economy to a halt. This pessimism was additionally fueled by the constantly increasing price of oil and of other raw materials and the skyrocketing euro. In January 2008 the jumpiness on the stock exchanges turned into panic. Share prices plummeted around the globe. Even the shares of healthy and highly profitable companies were dragged down. In the current 2008/09 fiscal year, the worldwide share markets went into free fall. Mid-October 2008, the American leading share index Dow Jones and the Japanese Nikkei fell to the lowest level for five years.

In the first few months of the Porsche 2007/08 fiscal year, the German share index (Dax) had not yet been troubled by the dark clouds gathering on the horizon. In 2007, Germany was again export world champion and the index which had stood at 7,500 points in the summer had reached the 8,000 mark by year end. A short time later, however, the euphoria on the trading floors had all but evaporated and the mood became increasingly depressed. On 21 January 2008, the Dax on the Frankfurt stock exchange fell well below 7,000 points. The Federal Reserve tried to counteract plummeting share prices by reducing its prime rate several times. Shock waves from the finance industry as a result of the distress sale of the US investment bank Bear Stearns or the publication of serious estimates that the financial crisis would cost a trillion dollars caused the mood to deteriorate still further in the spring of 2008. With the exception of a brief intermezzo in May, the Dax failed to defend the 7,000 mark. On 31 July 2008, the last day of the Porsche 2007/08 reporting period, the stock exchange barometer stood at 6,480 points. It was not long before this figure was forgotten. Mid-October the Dax closed at 4,500 points.

The automotive industry was not left untouched by this bear market on the stock exchanges. While the Dax dropped 13.3 percent in the reporting period, that means from 1 August 2007 to 31 July 2008, the CDAX-Automobile saw a drop of 18.3 percent. The Porsche share started into the 2007/08 fiscal year at 131.40 Euro, after eliminating the stock split, only to close twelve months later at 96.80 Euro.

The share split of 1:10 was completed by Porsche in March 2008. Subsequently, the price per share was just a tenth of the value as one old share was replaced by ten new ones. This had been decided by the first annual general meeting of Porsche Automobil Holding SE on 25 January 2008. The split went hand in hand with a capital increase from company funds. The capital stock now amounts to 175 million Euro and is divided into 87.5 million ordinary and preference shares each; each share accounts for a pro rata share of the capital stock of one euro per no par value share.

Conversion into new shares of Porsche SE
In the new 2008/09 fiscal year, Porsche commenced with the conversion of the old preference shares of Dr. Ing. h.c. F. Porsche AG (ISIN DE0006937733) into the corresponding new securities of Porsche Automobil Holding SE with the international securities number ISIN DE000PAH0038. For shareholders who keep 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 manage 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 share exchange implemented other shareholder resolutions besides the split: On 26 June 2007, the extraordinary shareholders meeting of Porsche had passed a resolution to change the organizational form of the company to a European company, a Societas Europaea (SE), and a name change to Porsche Automobil Holding SE. The two measures took effect when the renaming and change of form was filed with the commercial register of the Stuttgart district court on 13 November 2007.

Outstanding long-term development
A look at the long-term development of the Porsche share shows just how much it has appreciated in value. If one considers the past 15 fiscal years, namely the period from 1 August 1993 to 31 July 2008 (the last day of the reporting year), the price rose – adjusted for the split and converted into euro – from 2.95 Euro to 96.80 Euro. This growth of 3,181 percent compares to an increase in value of the Dax of just 255 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 1993, the portfolio would have increased to 364,000 Euro by 31 July 2008 (including dividends).

Higher earnings per share
The improved earnings situation of Porsche Automobil Holding SE is also manifested in the increased earnings per share. The very high prior-year figure of 23.99 Euro per share has once again been exceeded, reaching 35.95 Euro (adjusted for the split).

The dividend should increase accordingly: For the 2007/08 fiscal year, the annual general meeting will propose a distribution per ordinary share of 0.694 Euro plus 2.00 Euro special dividend (prior year split-adjusted: 0.694 Euro plus 1.50 Euro special dividend) and per preferred share of 0.70 Euro plus 2.00 Euro special dividend (prior year split-adjusted: 0.70 Euro plus 1.50 Euro special dividend). For the past fiscal year, the total dividend for ordinary and preference shares thus amounts to 472 million Euro, that is an increase of 23 percent. The distribution rate thus amounts to 7.5 percent (prior year: 9.2 percent).

Intensive investor relations
The huge interest displayed by finance market players in Porsche, which had already been boosted considerably by the investment in Volkswagen AG, continued to grow in the reporting period after Porsche announced plans to acquire a majority shareholding in the Wolfsburg automotive group. The investor relations department, which is part of public relations, and the financial press officer of Porsche SE shifted up a gear in order to satisfy the information needs of investors and financial analysts. The aim was to give financial market experts a clear insight into the strategy of Porsche SE and the complex composition of the company result impacted by the Volkswagen investment. In many cases, this communication took place in direct contact

with the financial experts: In countless one-on-one meetings, at roadshows around the world and investment conferences, at driving demonstrations and trade fairs as well as at events for private investors. Special attention was also paid to comprehensive reporting in the media. Care was taken here to ensure that communication with the public and the financial world was consistent in the interest of having a single "message".

Current figures, the Company's strategy and the timetable for the majority investment in Volkswagen AG were presented to analysts and investors at several events. One of the opportunities for such presentations were the driving demonstrations of new Porsche models, for instance at the presentation of the new 911 Carrera in Ludwigsburg in June 2008. Another was the analysts conference at which the financial statements for the fiscal year 2006/07 were presented in November 2007. In addition to this, personal talks were held with numerous institutional investors and analysts in Zuffenhausen over the course of the year. Company presentations at the important financial centers also played a key role in relations with institutional investors. The exchange with private shareholders, who contacted the investor relations department with questions, was also lively. 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.

Inspiring annual general meeting
The annual general meeting for the 2006/07 fiscal year took place in January 2008, again at the headquarters of Porsche in Stuttgart. With some 4,800 shareholders and invited guests, the Porsche Arena was better attended than ever before. The visitors were delighted with the presentation of Porsche's success story by the Executive Board of the SE and also with the increased dividend. Dr. Wendelin Wiedeking was also applauded enthusiastically for his forecast of the results for the current fiscal year 2007/08 at that time. "If nothing unforeseen occurs at the end, we will again return a result which will make us weep for joy", said the CEO of Porsche Automobil Holding SE about the excellent development in earnings at the most profitable automobile manufacturer in the world.

Stable shareholder structure
These days, a stable shareholder composition is of great importance for a company, providing a solid foundation on which to build long-term and sustainable growth. Companies who do not have this certainty often find it more difficult to perform consistently well. Porsche has appreciated this stability for a long time. The share capital of the company of 175 million Euro is divided into 87.5 million ordinary shares and 87.5 million listed preference shares. The ordinary shares are held by members of the Porsche and Piëch families.

Around 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 UK, the USA and Germany, and in other European countries and Asia to a lesser extent. A little 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 Automobil Holding SE also own preference shares.

Agreement with Deutsche Börse
For years, Porsche has defended its own position on capital market topics. In October 2004, the Stuttgart-based company filed a suit with the Administrative Court of the State of Hesse against the requirement of the Frankfurt stock exchange to publish quarterly reports to qualify for admission to the Prime Standard. In its ruling returned by the Administrative Court of Hesse in March 2007, an appeal to the Federal Administrative Court was expressly permitted. Porsche thereupon filed an appeal. In the reporting year, Porsche Automobil Holding SE and Deutsche Börse settled their dispute amicably. Both parties agreed to declare that the case was settled and each would bear its own costs. As the share of Porsche Automobil Holding SE was admitted to the newly created Dax International index, the parties both consider that the reason for the dispute no longer exists. Moreover, Porsche likes to maintain good relations with Deutsche Börse.

Porsche is represented on other 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.

Development of Porsche Share compared to DAX and CDAX-Automobile
in percent

Porsche has a clear position on the legal requirement to publish the salaries of the members of the management board at listed companies. As far as Porsche is concerned, publishing the individual remuneration details does not provide an investor with information that could be of relevance to its decision to buy or sell shares. When deciding whether to invest or not, an investor must only be able to judge whether the development of the total remuneration of the management board is reasonable in proportion to the Company's profit. Porsche is therefore convinced that the total sum of management board remuneration and its break-down into fixed and performance-based components is sufficient.

The position of Porsche is underpinned by legal expert statements confirming that a legal requirement to publish the salaries of the individual members of the management board is anti-constitutional. Both the Constitution and the European convention for the protection of human rights guarantee every citizen a basic right to informational self-determination. The experts are of the opinion that a legally imposed publication is a clear infringement of this basic right. Porsche's annual general meeting shared this opinion and decided back in January 2006 to do without the publication of the individual remuneration of the Executive Board members.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Models

With the presentation of the new generation of the classic 911 Carrera sports car and the launch of the particularly sporty Turbo S and GTS variants of the Cayenne series, Porsche has shifted its worldwide model offensive up a gear.

For 60 years, the Porsche brand has stood for a highly attractive product line. Extraordinary performance, outstanding driving dynamics and unique design are some of the attributes that distinguish the motorcars, in addition to the practical design and quality of Porsche's models. Finding ways of applying advanced technology aimed at reducing fuel consumption and CO_2 emissions has also become increasingly important. Today, there can be no doubt that the models of the 911, Boxster and Cayman sports car series and the Cayenne sports utility vehicle head the environmental ranking in their respective classes.

In fiscal 2007/08, the Cayenne made a greater impact on customers and markets around the globe than ever before. The keen sports feel of the Cayenne GTS and the extreme power of the Cayenne Turbo S have increased the appeal of the series. A highlight of the reporting year was the reissue of the cult 911 Carrera, a model that has had an unparalleled impact on the way the Porsche brand is perceived. In July 2008, the first vehicles of the next generation rolled into dealers' showrooms.

Porsche's model campaign continues in the current fiscal 2008/09 with the presentation of the new mid-engined sports cars in November 2008. Emerging with renewed style and advanced technology, the Boxster and Cayman will revitalize business at Porsche in time for early spring 2009.

Positive impulses are also being generated by small and special series models. The Boxster S Porsche Design Edition 2 in classic white was introduced and built on the success of the limited Cayman S Porsche Design Edition 1. In spring 2008, the special Boxster S RS 60 Spyder series met with the same keen interest as the Cayman S Sport in fall.

The audio and communications equipment in the successful high-performance sports cars 911 Turbo and GT2 was improved again towards the end of the reporting year. The 911 GT2 is the flagship of Porsche's current sports line.

Line of models

Including all models and derivatives that Porsche has so far introduced in the current fiscal 2008/09, the portfolio now comprises 24 models, namely:

Boxster
Boxster S
Boxster S Porsche Design Edition 2

Cayman
Cayman S
Cayman S Sport

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 GT2

Cayenne
Cayenne S
Cayenne GTS
Cayenne Turbo
Cayenne Turbo S

All new models feature numerous improvements which are described below.

A classic model, the 911 Carrera has been completely revamped and now offers significantly greater engine output combined with a substantial reduction in fuel consumption. This allows the next generation to build seamlessly on the predecessor's success. An entirely new addition under the classic body shell is the direct fuel injection (DFI) gasoline engine, Porsche Doppelkupplungsgetriebe (PDK) and Porsche Communication Management (PCM) with voice control and Bluetooth® functionalities. A number of enhancements have been introduced including the SportChrono-Paket Plus which now includes the new functions "launch control" and "motorsport-derived gearshift strategy", or the tire pressure monitoring system (TPM) which features improved tire electronics.

The newly developed 3.6-liter Boxer engine has seen a 20 hp increase in output to 345 hp (254 kW), while the new 3.8-liter boxer engine in the S models has been increased by 30 hp to 385 hp (283 kW). At the same time, fuel consumption has been ratcheted down by as much as 13 percent and CO_2 emissions by as much as 15 percent below the values of the predecessor. And at 9.8 liters per 100 kilometers, the consumption of the 911 Carrera with PDK, based on the EU cycle, has been cut to a single-digit figure. Advanced emissions technology has made it possible to comply with the stringent EU5 emissions standards for the EU as well as the US LEV II standard.

Replacing the Tiptronic S gearbox, the optional double clutch transmission with seven gears also makes a substantial contribution to cutting emissions. This system combines the efficiency advantages of a manual gearshift with the convenience of a torque-converter automatic transmission and allows automatic or manual shifting without interrupting drive. Combining PDK with the optional SportChrono-Paket Plus allows acceleration from 0 to 100 km/h in a breathtaking 4.3 seconds. This thrusts the new 911 Carrera S onto the level of the last 911 GT3 (997) generation.

All new 911 models have a more dynamic appearance with the modern LED light technology in the front apron and rear. Series bi-xenon headlights with optional dynamic cornering lights afford improved road visibility. New design elements have also been introduced to the exterior, the quality of materials in the interior has been upgraded, the series wheels modified and the color scheme revised.

An uncompromising fusion of design and functionality combined with practical concepts and sports emotion has always distinguished Porsche's sports cars. Following on in this tradition, the new 911 models not only set the benchmark in driving dynamics, they also offer greater comfort and modern audio and communication equipment. Seat ventilation is optional available for the first time so that the driver and passenger can enjoy a pleasant ride in the hottest conditions and on long journeys. Winter driving is also more comfortable with steering wheel heating.

Significant improvements are also afforded by the new generation of the Porsche Communication Management (PCM) system with integrated CD and DVD drive. The system's main feature is the 6.5-inch TFT color touch screen. The optional navigation module with integrated hard drive allows faster route calculation. And, in combination with the voice control functionality, it improves driving safety. An optional interface with iPod®, USB and AUX connections is provided for audio peripherals such as MP3 players. The new 911 models also offer customized phone solutions using Bluetooth® technology.

Successful special models
The stunning black looks with matt black contrast elements of Cayman S Porsche Design Edition 1 launched in the reporting year attracted keen interest. The exterior design was chosen to mark the presentation of the Chronograph Number 1 by Porsche Design 35 years ago. A new chronograph in carrara white provided the opportunity to issue a special edition of the Boxster S limited to 500 cars. The modern, bright white of the paintwork contrasts with light gray. Black leather dominates the interior, accentuated using alcantara and white deco elements. Sports optics and driving dynamics set the car apart. A special collector's item, the chronograph from Porsche Design, embellishes the car.

A limited special edition of 700 Cayman S Sport has been available since August 2008. This model is powered by a 303 hp (223 kW) Boxer mid-engine with sports exhaust system. This Cayman S is equipped with Porsche Active Suspension Management (PASM) and 19-inch wheels. Available in orange, green, guards red, speed yellow, carrara white, black and arctic silver metallic, the Cayman S Sport guarantees a spectacular appearance.

Completely new mid-engined models
A new era will begin for the Boxster and Cayman models in spring 2009. The vehicles will receive newly developed engines, the optional Porsche Doppelkupplungsgetriebe (PDK) and a sports design featuring LED technology in the front and rear lighting systems. The latest equipment options are also available, including the next PCM generation, bi-xenon headlights with dynamic cornering lights and high-comfort seat ventilation.

All Boxer engines were completely reconstructed. The basic models in the Boxster and Cayman series have been fitted with larger 2.9-liter engines. The Boxster's output has been raised by ten hp to 255 hp (188 kW) and Cayman's output by 20 hp to 265 hp (195 kW). Featuring the same displacement, the gasoline engines in S models have been fitted with direct fuel injection (DFI). This increases the output of the Boxster S by 15 hp to 310 hp (228 kW), and by 25 hp to 320 hp (235 kW) in the Cayman S.

The result is impressive: the Cayman S with PDK and SportChrono-Paket accelerates from 0 to 100 km/h in an outstanding 4.9 seconds, thus breaking the five-second barrier for the first time. Despite the marked improved in output, fuel consumption has decreased by up to 15 percent, CO_2 emissions have decreased by up to 16 percent. Advanced emissions technology has made it possible to comply with stringent emissions standards including EU5 in Europe as well as LEV II and ULEV in the US.

Unbeatable
In April 2008, after the new Cayenne GTS, Porsche presented a new addition to its off-road line – the Cayenne Turbo S. Featuring a significant increase in engine output, the vehicle underscores Porsche's claim to offer customers ultimate sports models in the SUV sector. With a 50-hp increase in output to 550 hp (404 kW) and exclusive equipment, the Turbo S is not only a distinct alternative to the Turbo model but also perfectly combines Porsche's trademark sports feel with exclusive comfort.

The power harnessed by the Cayenne Turbo S is immediately evident from its design: 21-inch Cayenne SportPlus wheels, painted air intake grills and a four-tailpipe exhaust system. To add to the engine output, the air manifold has been modified and the engine management system optimized. From a standing start, the Cayenne Turbo S accelerates to 100 km/h in a mere 4.8 seconds. By contrast, the Cayenne Turbo needs 5.1 seconds for the same acceleration. At 280 km/h, its top speed is also 5 km/h faster than the Turbo. The car's active safety features are also impressive. Utmost safety is guaranteed by Porsche Dynamic Chassis Control (PDCC), servotronic and the tire pressure monitoring system (TPM).

The interior design also speaks a clear language – exclusivity, sports design and luxury. Leather fittings in black/havana and black/steel gray have been designed exclusively for the Cayenne Turbo S. The contrasting lighter color of the stitching on the dash board and the door paneling emphasize the premium finishing. A cushioned steering wheel rim and carbon interior blinds create a fascinating sports ambiance.

A rally car for everyday use
After participating in the Transsyberia Rally on several occasions, a special Cayenne S model will be on offer at the start of 2009. The rally car

Cayenne S Transsyberia was successfully put through its paces on the grueling 14 stages stretching across 7,000 kilometers from Moscow to the Mongolian capital of Ulan Bator. The special edition Cayenne S Transsyberia has inherited design and technology elements from the racing car. Customers have a total of four color schemes to chose from: black/orange and crystal silver metallic/orange like its rally twin or toned-down versions in black/ meteor gray metallic and and meteor gray/crystal silver metallic. A contrasting color was chosen for the paintwork of the 18-inch Cayenne S II wheels, the blades of the front air intake grill, the wing mirrors, the upper section of the roof spoiler and, optionally, the "Cayenne S Transsyberia" logo on the side panels. Ready for off-road use, the special edition is equipped with air suspension and Porsche Active Suspension Management (PASM). Optional roof headlights are available without a markup. The 4.8-liter V8-cylinder suction engine taken from the Cayenne GTS delivers 405 hp (298 kW).

Panamera – the fourth dimension

With the introduction of the Panamera in 2009, Porsche plans to start a new chapter in the Company's history. A four-door Gran Turismo with four seats and ample space for four adults and their baggage, the Panamera will strengthen the Porsche brand in the premium segment. Like its siblings, the motorcar combines a sports philosophy with outstanding comfort. Its name, Panamera, was derived from the legendary long-distance racing fixture Carrera Panamericana, thus underpinning the car's predisposition for performance and long-distance driving.

The Panamera's body cites Porsche's classic contours. A frontal view reveals its family ties to the cult sports cars. The straight-line upper edge of the large air intakes and the domed wings and the distinctive shape of the headlights inspire clear associations with familiar elements. Its silhouette is marked by a compact front overhang that appears shorter due to the accentuated grooves. However, the association is dominated by the contours of the roof. It sweeps gracefully backwards and flows into a rear form that offers no resistance. Combined with the deep lateral grooves, the resulting effect profiles the distinct Porsche rear wings, which merge into a harmoniously rounded rear. An automatically extending spoiler on the lower section of the rear window improves air resistance and counters aerodynamic lift, without detracting from the car's harmonious styling at rest.

Sales

Porsche Centers around the world have been preparing for the market launch of the Gran Turismo Panamera in 2009. The Company's "Road to Panamera" initiative places high demands on dealers.

The great attraction of Porsche for automobile fans across the globe was once again evident in fiscal 2007/08 from the results of numerous surveys, readers' polls and studies. The string of opinion polls conducted by the renowned US market research institute J.D. Power in which Porsche has come out on top is particularly impressive.

In June 2008, Porsche claimed first place for the fourth time in succession in J.D. Power's "Automotive Performance, Execution and Layout Study (APEAL2)" survey. The study, in which 81,500 people evaluated their vehicles in the period between February and May 2008, reflects the satisfaction of new-vehicle owners in the first 90 days following their purchase. Porsche also occupied the top spots in the "APEAL2" study evaluating individual models. The 911 Carrera, the Cayman and the Cayenne were all selected as the best vehicles in their respective classes. In the equally prestigious "Initial Quality Study (IQS)" by J.D. Power, Porsche was named the automotive manufacturer with the highest quality for the third time in a row in January 2008. In addition to first place in the "Premium Sporty Car" segment, the 911 Carrera was also the overall winner across all segments.

Many other international distinctions and popular awards reinforce Porsche's exceptional status as a manufacturer of luxury sports vehicles. For example, the British magazine "Auto Express" pronounced the Cayman "Best Sporting Car" in August 2007. The 911 Turbo came first in the "Super sports car" category in the readers' poll held by "Powercar" magazine. In December 2007, the 911 GT3 was named "Performance Car of the Year" by the Australian magazine "Motor".

Readers of the "sport auto" specialist journal voted for two Porsche models as the most sporty automobile: the Boxster S as "Best convertible under 80,000 Euro" and the 911 GT2 as the best "Super sports car". Porsche has been a frequent winner of the "Sportiest car" poll held by the magazine since 1980.

In late January 2008, Porsche received the "Best car in the world" award in the "Convertible" category for the 911 Carrera, which was given pole position by 95,000 readers of the German magazine "auto, motor und sport".

This vote represents the continuation of a tradition for the 911 Carrera. In 32 polls held since 1977, the Porsche 911 and its Turbo and 911 Convertible variants have accumulated 37 victories in their respective categories. In November 2007, the Porsche 911 also won the “Auto Trophy” of the specialist magazine “Autozeitung” in the categories “Best sports car” and “Best convertible above 30,000 Euro”.

Porsche’s sports cars were not the only vehicles to go from strength to strength in fiscal 2007/08. The second generation Cayenne also received numerous awards. Readers of the specialist magazine “Off Road” voted the sporty off-roader the best of its class in February 2008, repeating the result of the previous year. The poll has been held every year since 1982 for off-road vehicles, with this year seeing almost 60,000 readers voting on 87 vehicles in eight categories. The reception of the Cayenne in new growth markets is shown by the “People’s Choice Award of the Year” from “Auto World Magazine” in China. The “China Trading Center for Automobile Import” named the vehicle as the “Best Imported SUV of 2007”.

The Company was also successful in the vote for the engine of the year. The turbo drive of the 911 enabled Porsche to beat strong competition to receive the coveted “Best Performance Engine Award” in the year under review. The distinction has been awarded by the British trade magazine “Engine Technology International” for the last ten years. Porsche had already come out on top a year earlier in the three to four-liter engines category, with the 3.6 liter Boxer engine with turbocharger and an output of up to 530 hp in the 911 GT2, even winning in the open displacement volume category. The jury consisted of 65 journalists specializing in the field of vehicle drive systems.

Sales organization continues to grow

Porsche has been constantly expanding its international sales organization for years. There are now 670 dealerships serving customers in 107 countries. With sixteen separate sales companies plus regional offices, Porsche is represented in the most important markets and regions. In addition to opening up new market opportunities for Porsche, the introduction of the fourth model series, the Gran Turismo Panamera, also increases the demands placed on the sales organization as well as its complexity. While reinforcing Porsche’s presence in growth markets such as China, Russia or the Middle East is a key objective, it is also essential that efforts to raise the professionalism of Porsche’s image in established markets continue.

Eight years after the introduction of the Porsche brand architecture, the classic design elements have proven to be an important factor for success. Vehicles are now presented in an exclusive showroom at more than 90 percent of all locations. The design concept with the largely enclosed front and compact form also provides the best conditions for energy-efficient buildings around the world, whatever the climate.

The large number of construction projects begun and completed in the year under review not only impressively shows that the sales organization is undertaking intensive preparations for the Panamera, but also highlights local partners’ faith in the Porsche brand. In addition to a range of projects at new sites in China, the Middle East and Russia, new construction and renovation projects were also realized in established markets.

As part of the “Road to Panamera” initiative, all dealerships and workshops are assessed in terms of their compliance with standards, process specifications and guidelines for the new model series. This is to prepare the sales organization for the requirements of the new customer segment.

The maintenance of the Porsche Centers was an additional focus of construction work in fiscal 2007/08. The long useful life makes continuous upkeep of buildings important. The projects help dealers keep their buildings in a condition that reflects Porsche’s typically high standards.

Pre-owned vehicle sales up

The increasing importance of the pre-owned vehicle trade led Porsche to continue work on the successful worldwide “Porsche Approved” program. Customers benefit from quality vehicles at competitive prices with excellent service, for example with a pre-owned vehicle guarantee that is as good as a new vehicle guarantee. The annual increase in sales confirms the appeal of this offer. The pre-owned vehicle guarantee was upgraded in January 2008, and customers can now obtain a guarantee with a two-year term. One innovation is an individual guarantee for vehicles sold by parties outside the Porsche organization, after a car check through a Porsche Center also for used cars. It underscores the reliability of the product quality.

More and more customers are obtaining their information on pre-owned vehicles online via the “International Porsche Locator” platform. This system has now been introduced in 69 countries, and reports a steady increase in visitor numbers.

Measuring up with the best – the KPI system
Porsche’s KPI system provides dealers with a state-of-the-art performance tracking system for managing their business. It facilitates a comparison between all business divisions of the Porsche organization and benchmarking against the competition. Pre-defined indicators can now be called up and an integrated catalog of measures helps select suitable courses of action. Special functions also support the field organization on visits to dealerships. In Germany, the KPI system once again received top marks in a satisfaction survey carried out by the Bamberg Institut für Automobilwirtschaft, and was placed well ahead of the systems operated by other automotive manufacturers.

All employees should reap the benefits of successful ideas, which is why Porsche has firmly integrated best business practice in its sales organization. Dealers are supported in adjusting to new, successful concepts by means of an intense exchange of information. This system serves an important function in a learning organization.

In addition, the “Porsche Partner Network” (PPN) gives the Company a central portal for all markets and sales levels. The PPN allows importers, dealers and workshops to handle all business processes using a single electronic interface, and to call up user-specific information. Customers also benefit from the fact that dealers and workshops are always kept up to date as a result.

New functions have been added to the “Porsche Vehicle Sales Assistant” (PVA), a multimedia support system for sales staff. Moreover, the PVA is now even more fully integrated in processes such as vehicle ordering or customer support. One variant of the PVA is the “PVA Fitting Lounge”, which customers can use for a particularly personalized consultation. Its appeal lies in the large-scale presentation of the interior and exterior of the desired vehicle on a plasma screen. This enables the many variants of a vehicle to be presented down to the smallest detail; personalization becomes an experience for the customer.

Training for professional consultation
In addition to first-class products and a positive image, excellent personal advice is an important factor in keeping customers loyal to the brand in the long term. Porsche now offers all employees the relevant training in ten languages, including Arabic, Chinese, Japanese and Russian.

In the training module “Porsche – The Experience”, sales personnel and service advisors learn the core values of the brand, and what customers expect. Combined with the skills required for an optimal sales and service process, this lays the foundation for providing customers with the best possible support. However, professional advice on the technical features of the vehicles is equally important. These are described in simple terms in the web-based learning module “Porsche Product Essentials” (PPE). PPE is fundamental to enabling sales outlet employees to explain the products accurately.

In recent years, Porsche has been extremely successful in introducing its continuous improvement process (PVP) to the Company’s sales organization. Projects and workshops held at the central sales office and international sales companies that bridge the boundaries between individual specialist fields helped achieve real improvements with a direct effect on Porsche’s performance.

Trend toward individualization continues apace
In its Exclusive and Tequipment programs, Porsche offers customers the opportunity to give their vehicles a personal and exclusive touch, either ex works or by retrofitting. The trend toward the individualization of vehicles continued apace in the year under review. The range of possibilities offered by the new 911 Turbo Convertible generated particular interest. But the flexible program for the new Cayenne also contributed to the highly favorable revenue situation.

Porsche Exclusive offers the opportunity for an individualized design ex works, both optically and technically, inside and out. The products are notable for the high quality of craftsmanship. Of course, only the choicest materials are used,

for example leather, aluminum, wood, carbon or Alcantara for the interior. Parts with an aluminum finish are also in great demand owing to the fact that they convey the impression of the light-weight engineering of race cars. On the exterior, special wheels, stainless steel exhaust pipes and aerokits give the vehicle that individual flair combined with technical refinements.

The sports exhaust package, 19-inch Carrera sports wheels, the stainless steel exhaust pipes, the Cayman aerokit and the leather center console were the bestsellers in fiscal 2007/08 for the Boxster, Cayman and 911 series. Newcomers to the Exclusive program were red tail lights and decorative wordmarks with the name of the model on the side of the car, in selected colors for almost all models.

The new Cayenne also sets new standards for personalization. High-quality products such as the SportDesign package and the improved performance of the Turbo underscore the handling of the vehicle. The dynamic 21-inch Cayenne SportPlus wheels, painted in the same color as the car, the four-pipe sports exhaust and the embossed Porsche logo on the headrests also proved very popular.

In addition, the more advanced Porsche Rear Seat Entertainment system, whose controller can be elegantly integrated into the display console on the passenger side, was successfully introduced. This means that all three seats in the rear passenger compartment can be fully used. The extensive exclusive products on offer for the interior of the Cayenne in carbon, aluminum finish, painted in the exterior color, leather and wood give the Porsche off-roader a very personal touch.

As of the year under review, customers can refer to the wide range of options for individualization at a glance in separate catalogs for the Boxster, Cayman, 911 and Cayenne, as well as in the respective vehicle price lists.

Tequipment adds value

The Tequipment range offers a broad spectrum of practical accessories for retrofitting, with no effect on the guarantee. The focus is on products for the 911 Turbo Convertible, with an extended portfolio for the 911 Carrera, Boxster and Cayman and a well-rounded program for the Cayenne model series. The development of sales and income in the year under review illustrates the appeal of the portfolio.

Both the sports exhaust system and Vehicle Tracking System were particularly in demand. The latter enables stolen vehicles to be located in 25 EU member states as well as Norway, Switzerland and Russia. There was a peak in winter tires sales. The successful combination of light-alloy hub caps with the best tires results in an attractive appearance with a sporty driving experience. New products for sports cars included the Turbo aerokit, the decorative wordmark for the side of the vehicle in selected colors, the red tail lights and rubber floor mats. The cruise control offered for retrofitting as of the year under review allows automatic speed regulation in all vehicles.

The broad product portfolio for the Cayenne was well-received by customers, with the matt aluminum finish roof rails and foot plates performing best. One new development is the improvement of the Cayenne Turbo's performance. The waterproof trunk tubs, floor mats with nubuck leather edging and embroidered Porsche logo, roof-mounted carriers and maintenance sets proved very popular as practical accessories. In the field of audio and communications, an expansion module was added for receiving digital television, as well as the new Porsche Rear Seat Entertainment system.

Maintenance costs cut significantly

Targeted measures and modern technology led to a reduction in maintenance work, which in turn resulted in a seven percent reduction in maintenance costs in Germany, while the reduction in the US was as much as 17 percent.

The successful PIWIS information system (Porsche Integriertes Werkstatt Information System) was fine-tuned further to local requirements. Following the integration of Chinese and Japanese, Russian employees have also been able to use the system in their native language since mid-2008, with Porsche thus acknowledging the growing importance of this market.

In addition to identifying defects, vehicle diagnosis also safeguards the quality of the vehicle. The PIWIS diagnostic system has formed a central pillar of these endeavors since 2003. Its software is continuously updated to incorporate new models and product changes. The "online update" function for the PIWIS tester ensures the fastest possible distribution as of the year under review. Every dealer now has access to the latest data at the touch of a button via the Porsche Partner Network.

Porsche's fundamental decision to apply the industry-standard ODX diagnosis technology (Open Diagnostic Data Exchange) represents another milestone. Although the new technology will first be introduced with the Panamera, it is already being applied in the development of the new model series. It plays an important role in managing the increasing complexity of the electronic systems in today's modern vehicles.

With regard to technology, the establishment of an approval and support management function will ensure swifter remedies in the future. Involving experts along the chain from development through suppliers to after sales allows short decision-making paths and more efficient maintenance. This reduces costs and repair times.

The UK and Spain were incorporated in global management as centralization of spare parts supply progressed further. The After Sales division therefore controls these important markets. This makes demand more transparent and has improved the availability of spare parts on the markets.

The flow of information for suppliers was improved specifically for the launch of new models, in order to ensure the optimum availability of spare parts for market launches. Having taken over responsibility as the importer for Switzerland, the central warehouse in Ludwigsburg, Germany now supplies the dealerships in that country overnight.

Everything revolves around the customer's desires

New guidelines on after sales design and layout have improved the brand image in the service functions. Porsche has implemented these guidelines both in response to the wishes of customers, and with a view to creating the conditions for continued growth at dealerships. Existing service processes were also examined with regard to optimization potential.

Porsche conducts targeted salesperson and workshop tests with professional test customers in Europe and the US in order to further enhance the customer orientation of sales and service partners. These test customers evaluate all factors affecting customer support and describe their experience at the Porsche Center. The dealers are given comprehensive feedback after the test. New processes can be assessed objectively, while existing processes such as appointments, consulting meetings and invoice detailing can be improved.

Porsche Centers and Service Centers must implement predefined quality standards. The "Porsche Service Dealer Review" was developed on the basis of the "Service Audit" to safeguard the quality of service for customers. It now covers all stages of the entire After Sales division, involving both internal and external processes. Each Porsche Center is able to audit itself.

The services of the Porsche workshop and parts service are marketed throughout the world as "Porsche Service". Notwithstanding country-specific characteristics, customers can generally take advantage of a comprehensive portfolio of original spare parts, seasonal vehicle checks, pick-up and return services, package price offers and vehicle maintenance programs at their Porsche Center. This range of services was enhanced in fiscal 2007/08 with the newly-developed service system. This provides customers with detailed information, for example on prices or the duration of repairs, on their specific vehicle before placing an order.

The Service Support Team, active since early 2007, now has a very heavy workload. Demand is high on the part of importers and dealers for technical and process specialists. This is why twelve employees were added to the team in the year under review to ensure the continuity of service through their international activities. At the same time, this creates the conditions for ensuring a consistently high level of service quality in major emerging markets, particularly when new models are launched. The team's tasks range from instructing local technicians in maintenance and repair and training with "diagnosis tools" and special tools to the audit of service processes and workshops.

In fiscal 2007/08, Porsche continued to expand its holistic "CRM@Porsche" customer relations management concept. In addition to the market launches in Italy, Japan, Australia and Switzerland, the focus was on intensifying the involvement of dealers. Information on processes relating to marketing, sales and service can be used applied throughout the Company and in the Porsche Centers using a specific user interface ("Dealer-Frontend").

By further integrating dealers, Porsche has come an important step closer to holistic customer relations management. "CRM@Porsche" is to be introduced at all sales subsidiaries and their organizations by the end of 2009. In addition, new information will in future be used more extensively to individualize customer relations, and to secure them in the long term.

Porsche Training Center in Asia

By creating the Porsche Training and Recruitment Center Asia in Manila, the Philippines, Porsche has killed two birds with one stone. Each year, 30 young people from the Philippines are given the opportunity of completing their training as automotive technicians at Porsche, after first completing ten months of basic training at a technical institute of the Salesians of Don Bosco. In this way, Porsche supports markets that are lacking in trained personnel by providing qualified technicians. Because the young people are without exception from socially disadvantaged families, Porsche is also giving them the opportunity to escape the vicious circle of poverty and lack of training.

The Porsche Training and Recruitment Center Asia is a collaboration between the Philippine importer PGA cars and the Don Bosco Technical Institute in Manila. The first group of 15 trainees started in April 2008, and completed their training in September 2008. All 15 were given positions in Porsche's sales organization, with most of them going to the markets of Porsche Middle East.

Porsche trains automotive technicians in Manila. This raises the young participants' career prospects.

Factory collection: an experience for customers
Once again, many customers have opted to make the journey to the factory to design their Porsche according to their personal wishes or to collect their new vehicle. These people were offered a varied program. For example, it is possible to gain an insight into production on a tour of the plant, enjoy lunch in the visitor's canteen, admire selected exhibits in the museum or go shopping in the Porsche Design Driver's Selection Shop. All of their vehicle's functions are explained to the customers in detail at the handover.

The customer center at the Leipzig plant was once again a popular attraction for customers and interested visitors in fiscal 2007/08. The number of factory collections of the Cayenne saw an upswing on account of the market launch of the new Cayenne GTS. Numerous driving events, strategy conferences, supplier events and customer events were once again held by national and international organizers in the customer center and on the plant's two test tracks. Sales rose considerably thanks to the acquisition of new customers, from small businesses to renowned corporations.

The "Porsche Leipzig Co-Pilot" and "Porsche Leipzig Pilot" programs, which offer participants the opportunity to take a "quick spin" at the side of an experienced racing driver or even to take the wheel themselves, have not lost any of their appeal. Interesting additions have been made to the portfolio. Since the spring of 2008, it has been possible to take a ride in a Porsche Design 911 GT3 Cup car that took part in the Porsche Mobil1 Supercup.

Porsche Travel Club increasingly popular
The Porsche Travel Club offers the unique experience of driving a Porsche down some of the world's most beautiful roads. Experienced travel guides lead their groups along selected routes. The numerous opportunities are set out in a catalog that is available on the internet at www.porsche.de/travelclub. The selection ranges from tours involving a look behind the scenes at Porsche and training events both on- and off-road to exclusive weekend trips and longer adventure tours. Trips for companies looking to thank their customers or successful employees are also on the rise.

The Porsche Travel Club continued to grow in the year under review, with more than 4,300 customers taking up the Travel Club offers. The high volume of early bookings for winter training events shows that the growth targets for the 2009 season can also be met. Apart from continuously expanding the travel portfolio, the international expansion of the club is also on the agenda. After the successful launch of the Porsche Travel Club in Italy, efforts to promote growth in other countries and on other continents will be redoubled.


More than 500 Porsche enthusiasts from 14 countries took part in the Europe Parade in Sardinia.

Sport Driving School on the right track
The Porsche Sport Driving School (www.porsche.de/sportdrivingschool) offers the chance to improve your road safety with training from instructors. Customers and fans of the brand can improve their driving skills while having fun behind the wheel. The program is offered in 20 markets, and is taken up by more than 8,000 enthusiastic customers each year.

The training opportunities are almost unlimited. With its modular levels of service, the Driving School offers everything you need for the safe and economical operation of vehicles, or even racetrack driving. At the on-road training events, customers are offered exciting experiences on international racetracks or selected driving safety centers. Porsche's test track at the plant in Leipzig also has a 100 hectare area for off-road events. Customers for whom this is still not enough can book themselves onto the desert adventure in Dubai to experience the peculiarities of driving over sand dunes.

The women-only events and a day consisting entirely of driving on the racetrack ("Track Day") are a great success. Special winter training in Finland, Austria, Italy and Colorado helps participants learn how to handle their vehicles during the cold season. New events in great demand during the year under review were the "Super Sport Training" for GT and RS variants, and the "Ice Force" masterclass for driving on ice.

Porsche Clubs active throughout the world

The uninterrupted growth of Porsche Clubs across the globe is an impressive evidence of the brand's continued appeal. In the year under review, 607 clubs with more than 120,000 members in more than 60 countries were supported. Clubs were set up in Russia, the Middle East and Slovenia, while in the future the focus will be on the strong growth markets in Asia. For the first time, the central club office supported the parade in Mexico City, with 200 Porsche vehicles as well as two historical formula cars from the museum. These also drew attention at the parade in Japan with more than 400 club members.

The US parade continued to be a highlight of the calendar. Around 2,200 participants and more than 800 vehicles gathered in Charlotte, North Carolina. The extensive program lasted five days. Of particular interest were the Concours d'Elégance and the visit to Penske Motorsport. One highlight was the "Heritage" exhibition with club members' historical and modern cars to mark the 60th anniversary of Porsche.

This year's "Porsche Parade Europe" took place in Porto Cervo in Sardinia, and was organized by the national organization of the Porsche Club in Italy. More than 500 participants with 250 vehicles, which were also exhibited at the Concours d'Elégance in Porto Veccio, made the journey to the Costa Smeralda. The typically Italian program entertained participants from 14 countries.

The Porsche Classic Club scene is particularly active, to the delight of all fans of vintage cars. The Porsche 356 Club Denmark organized the 33rd International Porsche 356 Meeting in Aalborg, which was attended by almost 300 classic car lovers from over 10 European countries. Club members from the US and Japan also attended for the first time. The four-day program included an interesting mixture of tourist trips, cultural experiences and sporty driving events.

At the highly popular West Coast Holiday at Lake Tahoe in the US, the 325 vehicles of the Concours d'Elégance were presented to an expert jury. The 356 Holiday in Japan, with around 200 participants from the Porsche 356 Club Japan in Nagoya, was also supported by the central club office. Porsche uses its involvement in the Classic Clubs not only to maintain contact with drivers of the brand, but also to support an active, adventurous customer base.


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Markets

The growth markets in Asia and Eastern Europe, the Middle East and Latin America are increasingly becoming engines for the growth of Porsche's business. However, the Company continues to exploit market potential in its traditional markets.

The automotive industry in many countries has been facing a headwind since the beginning of Porsche's fiscal year 2007/08 as the finance and real estate crisis has spread beyond US borders and the confines of the banking sector. In the course of 2008, consumers in all Western societies lost faith in continued economic growth. Only emerging markets such as China, India and the Middle East retained a positive outlook for their economies. This development is also reflected in Porsche's business figures. Around 20 percent of sales were already generated in China, the Middle East, Russia and Latin America in the year under review.

To better exploit market potential, Porsche established new subsidiaries in Switzerland, South Eastern Europe, Hong Kong and Canada. These countries and regions had previously been overseen by independent importers, joint ventures or, in the case of Canada, from the US. Therefore over 95 percent of Porsche's sales were directly controlled via subsidiaries and regional offices as of the end of the year under review. This compares favorably to the situation in the mid-90s, when half of the total volume of vehicles was still sold through independent dealers.

In fiscal 2007/08, Porsche delivered a total of 99,342 vehicles to customers, 0.6 percent more than in the previous year. Over one third of the 32,300 sports cars sold from the 911 series were Turbo, GT2 or GT3 models. 11,351 vehicles delivered represents a new record for these premium models of the 911 series. The new generation 911 Carrera, which was introduced near the end of the year under review, already accounted for 740 units.

The Boxster series, which includes the Cayman models, was able to maintain its market share in a fast-shrinking segment despite of partially generous discounts, offered by certain competitors. At 22,869 units, the mid-engined sports car remained well above the 20,000 mark. This success was due in part to special edition models such as the Boxster RS 60 Spyder or the Cayman Porsche Design Edition 1.

The Cayenne sporty off-road vehicle set a new delivery record of 44,173 units in the first year in which the second generation was fully available. This was due not only to flourishing business in international growth hotspots such as China and the Middle East, but also the successful launch of the particularly sporty Cayenne GTS. Although the model was only available for six months of the year under review, its share of sales of the Cayenne series amounted to over twelve percent, with 5,539 units delivered.

AMERICA

North America: Porsche weathers the storm

By the beginning of 2008 at the latest, conditions on the US market had severely deteriorated. The real estate and finance crisis, combined with increased gas prices, led to a noticeable slowdown in the automotive market. Porsche was prepared for these developments, and was quick to adjust capacities to meet changes in demand. In spite of this, 33,692 vehicles delivered comes very close to the previous year's figure of 35,398 units.

The Cayenne series enjoyed particular success in North America in the period under review. 13,700 deliveries exceeded Porsche's expectations. Of the 19,992 sports cars delivered, 10,775 vehicles belonged to the 911 series, while 9,217 units were Boxster and Cayman models. Porsche once again invested heavily in developing the North American market. A separate subsidiary was set up to better support customers in Canada, while a fourth sales region was established in the US.

Latin America: Burgeoning region

Porsche concluded fiscal 2007/08 in Latin America with strong growth in deliveries to customers. This represented the seamless continuation of previous successes. The growth rate of 35 percent which resulted in a total of 2,712 deliveries was the second highest among Porsche's subsidiaries (after China). This increase was achieved on the back of the Cayenne, which gained 45 percent to 1,691 units, and the 911 series which rose 40 percent to 523 vehicles.

Mexico remained the single largest market, as in the previous year, with sales there rising 19 percent to 807 units. The second largest market was Brazil, with 582 deliveries. The distribution network in Latin America was expanded from four to 35 dealerships in order to promote growth.

EUROPE

Germany: Customers unsettled

Fluctuating economic conditions and consumer confidence in Germany were reflected in the automotive market. Rising gas prices and the announcement of an overhaul of vehicle taxation added to customers' uncertainty, a year after the federal government had already dampened the mood by increasing VAT. With 13,510 vehicles delivered, Porsche was nevertheless not far from the previous year's figure of 14,046 units.

With 6,594 deliveries, the 911 series once again generated high sales figures, despite the transition of the 911 Carrera to a new model in the second half of the year under review. 6,945 units were delivered in the previous year. Orders for the new 911 Carrera models developed very well. With 3,087 deliveries (prior year: 3,552), the Boxster series had to overcome some setbacks, but the mid-engine sports car still held its own in a very troubled segment. The Cayenne enjoyed great success in fiscal 2007/08. At 3,829 deliveries, the series even exceeded the positive results for the prior year by eight percent.

The sales organization maintained its strong level of investment in the brand architecture, with a number of businesses in Germany being established or renovated in the year under review. Investment was also high in preparation for the market launch of the Gran Turismo Panamera in 2009.

United Kingdom: Europe's second largest market

Porsche was unable to escape the difficult market conditions in the UK and Ireland in the year under review, with a total of 7,169 vehicles delivered (prior year: 9,104 units). Nevertheless, the UK remained the second largest European market after Germany. 2,572 vehicles of the 911 series were sold (prior year: 3,336). The newly introduced Cabriolet variant was an important factor in the re-newed sales growth for the 911 Turbo to 676 vehicles, following the previous record in 2006/07. Sales of the new generation of the 911 Carrera after the market launch in July 2008 came to 166 vehicles.

Although the mid-engined sports cars struggled under the market conditions and shrinking roadster segment in the UK, with just 1,606 Boxsters and 1,526 Caymans delivered, the country remains the most important market for coupés and open-top two-seaters. 4,168 units from the series were sold in the prior year. The Cayenne was able to maintain its position, and fell just short of the previous year's sales figures at 1,465 vehicles sold. The new, particularly sporty Cayenne GTS was also very well received in the UK. The difficult conditions did not stop Porsche Cars Great Britain in fiscal 2007/08 from realizing a number of important projects. A modern center for driver training and advanced test drives was built on the grounds of the famous Silverstone circuit. The 13-hectare plot including a building with capacity for up to 200 customers offers a highly challenging test track with a “kick plate”, which simulates the sudden sliding of a vehicle.The “Porsche Driving Experience Centre” offers driving courses and seminars of the customary quality.

For the eighth time in a row, the Porsche Retail Group dealerships in the London area came first for profitability and efficiency in the renowned “AM100 ranking” of “Automotive Management Magazine”.

Italy: Expanded dealer network
In fiscal 2007/08, Porsche delivered a total of 4,749 vehicles to customers in Italy (prior year: 5,458). The Company adjusted its capacity to the difficult economic conditions in good time, thus continuing to safeguard the long-term stability of the value of Porsche vehicles.

The 911 series accounted for the largest share of deliveries, with 2,179 units. The 911 Turbo and GT models met with great interest, with growth of 19 percent to 731 units. The Cayenne saw an increase of 26 percent to 1,589 units. With 981 deliveries, the Boxster and the Cayman were unable to repeat their outstanding performance from the previous year (1,456 units). The dealer network was expanded to 35 branches in the year under review. In April 2008, the redesigned office in Padua reopened, enabling Porsche to enhance its presence there in time for the launch of the Panamera in 2009.

France: Cayenne on track for success
In January 2008, France introduced a benefits and penalties system for harmful emissions which affects the luxury and sports car sectors more than other segments. Porsche nevertheless clearly exceeded all expectations in the year under review, 2,539 deliveries almost matching the prior year figure of 2,650 units.

While the 911 series fell slightly short of the record figure of 1,125 from the year before, with 1,058 vehicles delivered in the period under review, the new generation of the 911 Carrera was well received by customers thanks to its modern, reduced-emissions drive technology. With 559 vehicles delivered (prior year: 696 units), the Boxster and Cayman models developed much as expected. The Cayenne remained on track for success, with 921 deliveries representing an eleven percent increase.

Spain and Portugal: Safely through the crisis
Fiscal 2007/08 in Spain was hard hit by the real estate crisis in the country. One consequence of this was subdued consumer spending. However, Porsche weathered the crisis and delivered a total of 2,061 vehicles (prior year: 2,603) despite the difficult conditions.

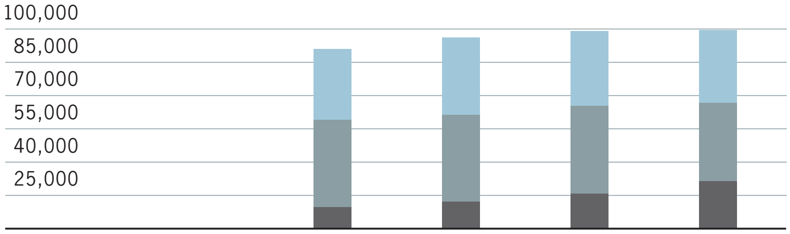
With 1,127 vehicles sold (prior year: 1,250 units), the Cayenne reinforced its position as the most important model. A record 34 percent of the 525 911s delivered (prior year: 712 deliveries) were Turbo and GT variants. 409 Boxster and Cayman models were delivered, down from 641 units in the previous reporting period. The dealer network on the Iberian peninsula grew by 27 dealerships, of which five are located in Portugal, where the Faro Porsche Center was opened in July 2008.

Switzerland: New subsidiary
In Switzerland, Porsche’s vehicles had previously been distributed by AMAG Automobil- und Motoren AG. On 1 July 2008, the wholly-owned subsidiary Porsche Schweiz AG based in Zug commenced operations. At 1,924 vehicles, deliveries to customers exceeded the prior year figure (1,842 units). The 911 series met expectations with 920 units (prior year: 945), with the premium models Turbo, GT3 and GT2 the favorites. The Boxster and Cayman maintained their high performance with 317 units (prior year: 366). The Cayenne rose by 29 percent to 687 vehicles.

The sales organization is to invest heavily in preparation for the market launch of the Panamera, opening new branches in Maienfeld, Lenzburg, Lausanne, Geneva and Zurich.

Austria: Trend toward premium models
In fiscal 2007/08, Porsche delivered 832 vehicles to customers in Austria. This is down from 871 units in the preceding year. This gratifying result was achieved despite a new emissions levy which dampened the automotive market in the Alpine republic. 379 vehicles of the 911 series were delivered (prior year: 420 units). The new GT2 and Turbo

Vehicle Deliveries
in units



	2004/05	2005/06	2006/07	**2007/08**
America*	35,482	38,675	37,408	**36,404**
Europe	43,647	43,371	43,853	**39,440**
Asia/Other Markets	10,580	13,324	17,441	**23,498**

* incl. Canada (PCL), Latin America (PLA)

Cabriolet models met with great interest. All-wheel-drive variants were again in greater demand in Austria, with 257 units delivered.

The Cayenne saw gains of 22 percent, with deliveries totaling 333 units. The Boxster model series accounted for 120 vehicles, down from 177 in the preceding year. Austrian customers ordered more of the Roadster Boxster and Boxster S than Cayman models.

Belgium: Stable in a difficult environment
At 1,033, vehicle deliveries in 2007/08 fell just slightly short of the preceding year's figure (1,143 units). This was despite great uncertainty among the population due to the absence of an elected government for a period of nine months. The importer D'leteren was able to deliver 517 911-series vehicles (prior year: 555 units) even though the next generation was on its way. In the face of stiff competition, Boxster and Cayman still managed to reach the impressive figure of 251 vehicles (prior year: 308). With 119 units sold, the basic variant of the Cayman was the most successful model in this series. Despite the uncertainty, the Cayenne was able to repeat the positive result of the preceding year with 265 vehicles delivered (prior year: 280 units). The Cayenne GTS was instrumental in this success.

Netherlands: Well prepared
In the year under review, Porsche delivered a total of 850 vehicles (prior year: 1,167 units). Despite highly price-sensitive competition, the Cayenne sold well with 353 vehicles (prior year: 440), and the new Cayenne GTS generated particular interest among customers. The 911 was the most successful model series with 381 deliveries, down from 549 units in the preceding year. The 911 GT2 also proved very popular with Dutch customers.

High taxation on luxury items and high-performance vehicles led several manufacturers to subsidize their vehicles even more heavily. In addition, the government imposed a CO_2 tax on automotive manufacturers in February 2008. Porsche reacted swiftly: the new generation of the 911 sports car series is well below the threshold set by the government for the CO_2 tax.

Luxembourg: Cayenne and 911 strong
In fiscal 2007/08, the Luxembourg importer Autodistribution Losch S.à.r.l. delivered 239 vehicles, down from 266 units. This is a very good result for Porsche in a market that is shaped by a lengthy debate on a new CO_2 tax. With 102 vehicles, the 911 series continued the success of the previous year, which saw 112 vehicles delivered to customers. The new 911 Turbo Cabriolet was very popular, while more high-end models were also in greater demand in Luxembourg. Cayenne sales rose by a quarter to 71 deliveries. All variants on offer contributed in equal measure to this success. With 66 vehicles delivered, the Boxster and the Cayman remained very popular.

Northern Europe:
All-wheel-drive models particularly in demand
Northern Europe remains an important sales market for Porsche, despite the economic slow-

down. The Company delivered 1,319 in the year under review, which corresponds to a 21 percent decline compared with the prior year. The 911 series accounted for 635 deliveries, down from 755 units in the prior year. Sales in Norway, Sweden, Finland, Denmark and Iceland benefited from high demand in the region for all-wheel-drive and exclusive models.

Boxster model series sales totaled 167 vehicles (prior year: 212). Deliveries of the Boxster models remained almost constant, with a slight dip in the volume of Cayman models. High demand for the new GTS resulted in the sale of 517 Cayenne models (minus 25 percent).

New Porsche Centers are planned for Reykjavik, Malmo, North Stockhjolm, Espoo and Oslo. The “Porsche Carrera Cup Scandinavia”, which was held for the fourth time in conjunction with the Swedish touring car championship, gave the brand an additional boost.

Porsche already has 20 dealers in Russia. The latest to open was the Porsche Center in Stavropol.

Southern and Eastern Europe: Another record year

With a record of 3,178 vehicles, Porsche was able to exceed the prior year sales figures by six percent. This means that customer deliveries in Southern and Eastern Europe have more than quadrupled within the past five fiscal years. The sporty off-roader Cayenne models in particular continued to enjoy high demand. The number of deliveries in the year under review rose 24 percent to 1,965 units, even though record deliveries had already been reported for the previous year. The newly launched Cayenne GTS proved to be a particular sales hit, with 230 customers choosing this model in the year under review.

While the 911 series failed to match the prior year level (998 units), the sports car’s 877 deliveries remained at a very high level despite the change of model for the 911 Carrera. By contrast, the Boxster and the Cayman were unable to repeat the success of the previous year, with sales down from 421 units to 336 vehicles.

In the year under review the Company established the Porsche Central and Eastern Europe office in Prague in response to the increasing importance of the region. This office coordinates all activities in the markets of Southern and Eastern Europe. The central location offers the ideal conditions for the 14 employees to continue the professionalization of sales in this region. This provides the perfect support for the 21 importers in the 23 countries.

Russia: Terrific trade

2,328 deliveries represented growth of 23 percent for Porsche’s Russian subsidiary in the fourth year of its existence. With 2,080 vehicles (prior year: 1,699 units) and a share of 89 percent of total sales, the Cayenne series was the most popular with customers. However, the growth rate of 23 percent for the Boxster, Cayman and 911 models was also very pleasing. Although sports car sales are still affected by the often difficult road conditions 248 such cars found new owners (prior year: 201 units).

Rapid expansion of the Russian distribution network continues. At the end of the year under review, Porsche was represented in 20 locations, with more showrooms planned.

MIDDLE EAST AND AFRICA:

Uninterrupted momentum

Porsche Middle East & Africa continued its strong growth. Deliveries of 6,082 vehicles significantly exceeded the prior year's volume of 5,330 units. The region is Porsche’s fifth largest sales market after North America, Germany, China and the UK. As expected, customers in the Middle East were extraordinarily responsive to the second generation of the Cayenne. The series saw 4,112 vehicles delivered, up from 3,467 in the preceding year. The proportion of sports cars in total sales remained strikingly high at 32 percent. Porsche Middle East & Africa not only achieved outstanding sales figures for the exclusive models of the 911 series, but also sold 697 Boxsters and Caymans in the region.

New Porsche Centers were established in Mumbai, Johannesburg and Beirut, while a new pre-owned vehicle center was set up in Dubai. A new service center was established in Cairo. A dedicated importer's office was set up in New Delhi in response to the burgeoning Indian market. In May 2008, construction began on a new regional office and training center in Dubai, highlighting the Middle East's importance for Porsche. From spring 2009, Porsche Middle East & Africa will manage more than 20 markets on two continents from Dubai. Training participants will come not only from bordering Gulf states, but also from the important emerging markets of India and Africa.

AUSTRALIA / NEW ZEALAND:

Cayenne remains strong

Porsche Cars Australia once again achieved a new record in fiscal 2007/08, with 1,588 vehicles delivered (prior year: 1,402 units). The Company was able to maintain its market share in New Zealand despite difficult market conditions – 187 vehicles were delivered to customers, compared to 220 units in the preceding year.

Business was once again driven by the Cayenne, of which 730 vehicles were delivered, compared with 397 units in the prior year. The sporty offroader's share of total deliveries therefore rose to 46 percent (prior year: 28 percent).

The highperformance S and Turbo models in particular saw high rates of growth. The new GTS model also exceeded expectations by a clear margin.

With regard to the sports cars, the 911 achieved its third-best result of all time. A total of 507 vehicles were delivered (prior year: 573 units). A surprisingly large number of customers opted for the more powerful 911 GT and Turbo models, pushing up their share to 43 percent. The Boxster series remained steady with 351 vehicles sold (prior year: 432 units).

As a subsidiary of Porsche Cars Australia, Porsche Retail Group Australia Pty Limited operates the two dealerships Porsche Center Sydney South and Porsche Center Melbourne. Together, the two branches delivered 435 vehicles, more than ever before.

ASIA

Japan: Another record year

The Japanese subsidiary continued its long success story in fiscal 2007/08. A total of 4,162 vehicles were delivered, seven percent up on the previous year. On the one hand the change of model in the 911 series meant that sports cars, with 2,724 units, fell slightly short of the previous year's figure of 3,054 vehicles. The Cayenne, on the other hand, experienced strong growth, selling 1,438 units (prior year: 848 vehicles).

Following the opening of the Matsumoto Porsche Center, Porsche now has 43 locations throughout Japan. The sales network was subjected to further restructuring, and adapted to suit the corporate identity.

ASIA-PACIFIC / CHINA:
Ongoing growth

The Company saw very positive development in the Asia-Pacific/China region. This economic region is becoming increasingly important, so much so in fact that one in ten Porsche vehicles sold in the year under review went to a customer from here. At 9,338 vehicles, the total number of deliveries was 90 percent up on the prior year.

The main growth driver is China, where deliveries rose 145 percent to 7,600 vehicles (prior year: 3,105 units). Eight out of ten vehicles delivered to China are from the Cayenne model series. This is why Porsche held its first world premiere there, presenting the Cayenne Turbo S at the "China Auto 2008" fair in Beijing. However, sports cars also made large gains in customer deliveries, with 1,296 units sold, 118 percent more than in the previous year.

Porsche also sold vehicles in its exclusive showrooms in French Polynesia. The photo shows the Center in Papeete.

This success enabled the further expansion of the dealer network. Four new Porsche Centers were opened in the year under review, meaning the Company is now represented by 20 brand-exclusive outlets in 19 cities. Partners have been selected for nine additional locations; construction is already underway.

Porsche also redoubled its marketing activities in the region. The Company appeared at 14 Chinese motor shows, and organized driving events. More than 3,800 people took part in the Porsche World Roadshows, Porsche Sport Driving Schools and other events.

The Asia-Pacific region also contributed to the positive trend, with growth of 36 percent taking it to a total of 1,738 deliveries.

Taiwan for example saw growth of 103 percent to 516 deliveries, South Korea 58 percent to 462 vehicles and Singapore 43 percent to 319 units. Investment in the sales organization will safeguard these successes in the long term.

Porsche Centers were opened in French Polynesia, New Caledonia, Taiwan and South Korea. Vietnam was opened up as a new market for Porsche, with 22 vehicles delivered in the first year alone.

Services

The subsidiaries Mieschke Hofmann and Partner (MHP), Porsche Consulting and Porsche Design ratcheted up their rates of growth again.

The Group’s subsidiaries are a credit to the Porsche name, and are on the right track in every respect. Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH (MHP) in particular demonstrated its potential for growth in fiscal 2007/08 with a 38 percent increase in revenue to 68.6 million Euro. At the same time, the number of employees rose by 14 percent to 413. This enabled the Company based in Freiberg am Neckar to continue to build on its position in the process and IT consultancy market. Porsche holds a 74.8 percent share in MHP.

Apart from Porsche, MHP supports around 250 major clients from various industries, continuing to focus in particular on the automotive industry. More than 90 percent of the 25 most important companies in this sector in Germany rely on MHP’s consultancy experience. This is why the Company has several offices in the centers of the German automotive industry. In order to maintain its growth, MHP has also ventured outside Germany by setting up a subsidiary in Zurich, Switzerland.

With its symbiosis of process and IT consulting, MHP offers clients holistic concepts and solutions spanning the entire process chain, from planning through implementation to management of IT solutions. A survey conducted by the market research Company Lünendonk GmbH revealed that MHP is one of 25 largest IT consultancy firms in Germany. Moreover, an image study carried out by the European School of Business (ESB) in Reutlingen ranked MHP as the German process and IT consulting firm with the greatest expertise in the automotive sector.

Consulting gives doctors a boost
In the year under review, Porsche Consulting GmbH in Bietigheim-Bissingen was able to once again improve its position in the German consultancy market, growing revenue 20 percent to 55.3 million Euro. The number of employees rose from 170 to 207.

Porsche Consulting GmbH, which is one of the top 20 management consultancy firms in Germany, generated around 84 percent of its revenue in fiscal 2007/08 with companies not belonging to the Porsche Group. The remaining 16 percent of revenue stems from cooperation with the parent Company.

These projects are of particular significance for Porsche Consulting as they enable new consulting approaches to be developed and tested. A total of 147 clients were served in the year under review. Overseas sales accounted for 24.2 percent of total revenue.

Since it was founded in 1994, Porsche Consulting has been pursuing the ideal of a streamlined, efficient Company. Its consultants are known for their practical experience and swift implementation. Their job is to bring about tangible improvements in the client's operative business within a very short space of time. The Company's client base includes companies in the fields of mechanical engineering, electronics, food processing, furniture, domestic appliances and construction. Consultancy services are also provided to trading companies and healthcare institutions. Porsche Consulting has so far been able to add 45 hospitals to its clientele.

The consultants examined the production process at various locations of an international manufacturer of semiconductors in fiscal 2007/08, resulting in significant improvements for the client. Renowned construction companies also used process optimization that is based on principles taken from the automotive industry. Porsche Consulting has for example successfully introduced just-in-time principles with the proactive involvement of sub-contractors at several pilot construction sites.

Porsche Design's largest airport shop was opened in Frankfurt in November 2007.

The range of services offered by Porsche Consulting has been supplemented by training programs for specialists and managers at the Porsche Academy. These programs only teach content and methods that have been successfully applied by Porsche and other clients. The Porsche Academy also offers "Benchmark Seminars", which give an insight into the practices of particularly successful European and Japanese businesses. In the year under review the Porsche Academy for the first time held a series of seminars with the title "Change processes in doctors' surgeries", with the aim of improving interaction between doctors and practice personnel. These are intended to avoid any kind of waste in order to reduce costs. At the same time, though, patients are also to benefit from improved care.

Porsche Design set to grow

The development of Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG (PLH) based in Bietigheim-Bissingen was very positive. The three divisions Porsche Design, Porsche Design Driver's Selection and the Porsche Design Studio in Zell am See continued to grow. The Company's revenue rose 36 percent to around 63 million Euro.

Strongest revenue growth was experienced by the Porsche Design brand due to the market launch of new products. The first of the brand's cellphones and the "worldtimer", a clock with an innovative global time function, met with an enthusiastic media response as well as being very much in demand. The third sports collection, with its high quality and very functional materials, was presented in cooperation with the sporting goods supplier Adidas. The award-winning luxury running shoe "Bounce:S" was well received by customers.

The consistent expansion of the distribution network has seen the brand represented at international airports such as Munich, Paris, Vienna, London, Moscow, Dubai and Hong Kong. The largest airport shop was opened in Frankfurt am Main in the year under review. Porsche Design also continued to expand its market presence in growth markets such as Russia, Taiwan, China and the Middle East. A number of new sales areas were also created in luxury department stores.

The accessories of the Porsche Design Driver's Selection were once again in high demand among Porsche customers. A product collection ranging from model cars and leather jackets to valuable chronographs was launched to mark the 60th anniversary of the sports car brand. A table clock based on the design of the instrument panel in the 911, with the inimitable engine noise as the alarm signal, is as certain to be among the hits of the program as the wall calendar, clocks and luggage items. The principal motor of the division's growth in the year under review proved to be the ongoing expansion of shop-in-shop systems at Porsche Centers throughout the world.

In addition to designing its own products, the Porsche Design Studio in Zell am See continued its activities in the field of industrial design for other companies. One design commission in particular for the champagne manufacturer Veuve Cliquot received extensive media coverage: The exclusive champagne refrigerator is distinctive on account of its monolithic, column-like shape, and limited to 15 models worldwide. Many products with the Porsche Design brand have received awards at prestigious design competitions such as the “iF Product Design Award”, the “Red Dot Design Award” and the “Good Design Award”.

Financial services in demand
The financial services offered by Porsche include leasing, hire purchase, financing and vehicle insurance. The Porsche Card is also an attractive credit card service. This portfolio of services allows the Company to meet the diverse needs of customers. For example, leasing agreements with customized payments and a variable term can be concluded.

Porsche Financial Services GmbH has its own subsidiaries in all important markets. With another 34,000 new contracts, the various subsidiaries managed more than 76,000 financial services agreements throughout the world in fiscal 2007/08. In addition to this, around 12,000 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 Porsche Insurance Services with the Porsche CarPolicy and the Porsche CarPolicy S. Both services allow customers to cover risks based on 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 for many years been working successfully with HDI-Gerling Firmen- und Privatversicherung AG, and enjoys the valued trust of around 27,000 satisfied Porsche drivers.

Development for customers
When Ferdinand Porsche established his design office in Stuttgart in 1931, his aim was to find forward-looking solutions. This aim has been pursued by Porsche Engineering ever since. Its range of services covers everything from the design of individual components to the planning and implementation of complete vehicle development. In their search for innovative solutions, customers from the automotive and supplier industries rely on the broad competence of Porsche Engineering, and its ability to apply existing know-how to new jobs and fields. This has helped maintain Porsche’s focus on customer development. It goes without saying that Porsche Engineering handles the product strategies and brand identities of its customers with the greatest possible care by maintaining strict confidentiality with regard to each project.

In the previous fiscal year, the Company was able to realize complete vehicle development projects in cooperation with clients. The “Vehicle Concepts” specialist department was set up in response to high demand. Porsche Engineering also secured itself a competitive advantage by continuing to invest in new workshop facilities and infrastructure and simultaneously having recourse to the Porsche Development Center in Weissach. The Company was also able to attract experienced specialists in the year under review, whose knowledge increased Porsche’s edge over the competition. In the final analysis, Porsche was not only able to achieve its ambitious goals in the year under review, but in some cases it even surpassed them. The high demand for development services has so far continued unabated in fiscal 2008/09. Fast development times were at the top of customers’ “wish lists”, alongside technical innovation. Development work focused on the field of alternative drive systems.

Cooperation with the Technical University in Prague continues to be a success, focusing primarily on the fields of technical computation and simulation. Three graduates of the university received the prestigious “Porsche Engineering Award” in the year under review. The winner was given a research placement with Porsche Engineering.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Communication

Porsche was named the most highly esteemed company in Germany for the fifth time in a row. The sports car manufacturer also came first in international image studies.

Porsche's outstanding image plays a significant role in the success of the company. The Company's public relations work promotes its reputation by focusing on raising the profile of product, company and brand within society. This work was rewarded in spectacular fashion in fiscal 2007/08. In January 2008, Porsche was not only voted the most reputable company in Germany; the sports car manufacturer even achieved this feat for the fifth time in a row. And to top it all, this time the lead over the Company in second place had widened further. The business journal "manager magazin" awards its prestigious image prize every two years. To determine this year's rankings, TNS Infratest and BIK Marplan surveyed 2,500 board members, directors and managers. In addition to overall impression, the market researchers examined the scores for five image-boosting factors: ethical behavior, innovation, customer orientation, quality of management, and product and service quality.

Porsche also regularly ranks highly in international surveys. In September 2008, the renowned New York Luxury Institute found that Porsche's vehicles enjoy the best reputation among high-earning Europeans. The market researchers directed their survey at consumers in France, the UK, Germany and Italy with an annual income of at least 60,000 Euro. In the previous year, Porsche had come out top in a survey carried out by the Luxury Institute among high-earning US citizens.

Porsche was also able to reinforce its position as one of the most desirable employers in fiscal 2007/08. After consultancy firm Universum Communications found in the summer of 2007 that engineering and science students consider Porsche to be the most attractive industrial firm in Europe, the sports car manufacturer was able to achieve a comparable position in Germany one year later. In the ranking entitled "The Best Employers" published by "manager magazin", Porsche took first place among business graduates and second place for engineers. In the course of this study, the Trendence institute surveyed almost 18,000 business and engineering students who were approaching their final exams at more than 100 institutes of higher education in Germany.

Broad commitment to promoting young talent

The future of both Porsche in particular and German industry in general depends on a ready, domestic supply of well-trained engineering graduates. Baden-Württemberg alone currently has a shortfall of 15,000 engineers. This deficit is increasingly proving a barrier to innovation at small and medium-sized enterprises. Porsche undertakes a range of activities to promote young talent in support of the domestic economy. The “Ferry Porsche Award” was once again awarded to the best graduates of general and vocational high schools in Germany with math or physics/technology as main subjects. The prize was awarded to 233 young people in February 2008. Ten scholarships for overseas internships were also raffled off during the award ceremony at the Development Center in Weissach.

Together with the subsidiary Porsche Consulting, the automotive manufacturer supports young, innovative entrepreneurs as a partner of the “Deutscher Gründerpreis” (“German Founders’ Award”). The intention is for these entrepreneurs to be able to realize their ideas and visions in Germany. The other partners are “stern” magazine, the “Sparkasse” savings banks and the TV broadcaster ZDF. The prize is considered the most prestigious distinction for outstanding German entrepreneurs. It is awarded annually in the categories “High school student”, “Start-up”, “Up-and-coming” and “Lifetime achievement”. The consultants at Porsche Consulting support the preselection of applications received and prepare the meetings of the award panel. In addition, the nominees and award winners receive one-on-one advice and training.

The significance that Porsche attaches to nurturing creativity is shown by the “Porsche Young Talent Award for International Advertising”. The Company uses this award to support promising young advertising film makers. November 2008 saw the prize awarded for the fifth time at the Ludwigsburger Filmakademie Baden-Württemberg. As in previous years, a renowned international jury of experts recognized four exceptionally creative achievements with three main awards and one special award. All four winners also received a “David” trophy. This trophy serves as a reminder of Porsche’s own philosophy that the small can not only contend with the big, but also come out on top.

Exciting vehicle launches

Press launches of new models are a fundamental part of Porsche’s public relations work. These events are always very popular with the participating journalists. A range of outstanding vehicle launches was scheduled in fiscal 2007/08, beginning with the presentation of the new 911 GT2 in September and October 2007. In northwestern Germany, Porsche offered journalists from all over the world the opportunity to test the leading sports car model to its limits. A few weeks later, media representatives were presented with the new, particularly sporty Cayenne GTS. Journalists got a first taste during the test drives in November 2007 at the events in the Algarve in southern Portugal. Another highlight for participating media representatives during the year under review was the second GTS launch in Sweden, around 200 kilometers inside the arctic circle. The journalists drove the all-wheel-drive vehicle to the Ice Hotel at Jukkasjärvi, well known among polar enthusiasts, on snow-covered roads. They were then able to test the handling of the new Cayenne GTS at the “Kiruna Test Area” on the ice of the frozen lake Sautosjärvi.

Porsche offered representatives of the print media and television broadcasters a particular treat at the end of fiscal 2007/08 with a test drive of the new 911 Carrera models. As Porsche’s annual technology workshop was incorporated in the presentation of the Carrera 2 in Ludwigsburg in June 2008, no technical question was left unanswered. At the workshop, experts from the Research and Development Center in Weissach explained in detail the technology that went into the new, reduced-emission direct fuel injection and Porsche Doppelkupplungsgetriebe (PDK). In July 2008, Porsche presented the four-wheel-drive 911 Carrera 4 models, which also have a new form of electronically controlled all-wheel-drive, at Liebenberg castle manor near Berlin. The presentation of the new 911 Targa in September and October 2008 at Lake Garda in Italy completed the launch of the new 911 models.

Imposing presentations in Frankfurt and Paris

The International Motor Show in Frankfurt has always been a setting for exciting new Porsche models. The sports car manufacturer did not disappoint in the year under review, with four new models on show. In September 2007, the 911 Turbo Cabriolet and the 911 GT2 were among the highlights at the motor show.

However, a hybrid vehicle and the particularly sporty Cayenne GTS plus the special edition Cayman S Porsche Design Edition 1 also generated a great deal of interest among visitors to the Porsche stand. The special edition Boxster RS 60 Spyder, of which only 1,960 will be built, was exclusively presented in March 2008 at the Geneva Motor Show. The vehicle is reminiscent of the legendary racing car 718 RS 60 Spyder from the 1960s. In the current fiscal 2008/09, Porsche was once again at the center of worldwide media attention on October 2008 at the Paris Motor Show, with the new 911 Carrera and Targa models. The enthusiasm of fans of the 911 series at the stand was tangible.

Intensive dialog with the financial markets
The rise in Porsche's share in Volkswagen to more than 30 percent of ordinary shares had already considerably increased the need for information on the part of players on the financial markets. Once Porsche announced its intention to acquire a majority share in Volkswagen, the dialog with financial markets became even more intense. The investor relations and financial press department, which is part of the public relations division, was in close contact with analysts and institutional investors throughout the year under review. Extensive talks were also held with private shareholders. Whether in Zuffenhausen, during road shows at the world's financial hubs or at numerous model test drives, Porsche's open communication was appreciated at all times. At the same time, care was taken to ensure that communication with the public, the media and the financial world was consistent and that the company spoke with one voice.

Crisis prevention at the highest level
Manufacturers of exclusive products with a discerning clientele are rightly expected to react swiftly and comprehensively in crises while at the same time ensuring information is provided. This is why Porsche has drawn up a crisis management plan for emergencies, including an appropriate communications concept which governs the actions and responsibilities of all parties down to the subsidiaries and importers. An individual action plan then enters into force depending on the nature of the incident. This clearly specifies the management staff from the various specialist departments, along with their deputies and other persons, who are responsible for contacting the relevant official bodies.

In order to prevent crises, various possible scenarios are repeatedly rehearsed as "dry runs" in order to familiarize the employees concerned as closely as possible with the planned measures. The group of people involved is deliberately kept small in the interests of the efficiency and speed of crisis management and crisis communication. This also applies to the potential composition of our crisis management team. All of these factors are intended to ensure that, in the event of an emergency, the situation is managed with the expertise associated with the name of Porsche.

The driving experience of the 911 Targa at Lake Garda was not only a lot of fun. Journalists also welcomed the explanations of head of design Michael Mauer (right).

Third Tennis Grand Prix in the new arena
For more than 30 years, the focus of the many sporting activities that Porsche has supported in addition to motor sports has been on the Porsche Tennis Grand Prix. In the fall of 2008, this high-class women's tennis tournament was held for the third time in the "Porsche Arena" in Stuttgart, where it moved from its previous home in Filderstadt. In addition to the prize money, the event held in late September/early October 2008 had the top athletes competing for a 911 Carrera 4S convertible as the main prize. In October 2005, Porsche acquired the naming rights to the arena in Stuttgart-Bad Cannstatt for a period of 20 years, for the

sum of 10 million Euro. The logo above the entrance to the hall shows the red Porsche wordmark, combined with the dynamical silhouette of the arenain metallic gray. The “Porsche Arena” has also been the venue of the stockholders’ annual general meeting since January 2007.

Few brands enjoy Porsche’s high degree of association with sport and performance. This is why Porsche’s involvement in sport goes even further. For example, Porsche supports the “Bietigheim Steelers” ice hockey team in Bietigheim-Bissingen, where several of the Company’s subsidiaries are based. The ambitious team played in the second German national league in the year under review.

Cultural commitment with a purpose
Porsche maintains its traditional patronage of culture and literature by supporting the German Literary Archive in Marbach. In the year under review, Porsche acquired a valuable hand-written document, the “Stefan Manuscript” by the cultural theorist and author Walter Benjamin from the Stuttgart antiquarian Herbert Blank, and donated it to the literary archive. In September 2008, Porsche also arranged a reading by the actor and director Vadim Glowna. He read excerpts from “Berlin Childhood around 1900” in Marbach to an audience of 300. The book, Benjamin’s most famous work, was published in 1950 on the basis of the “Stefan Manuscript”, ten years after the death of the great cultural theorist. Back in 2001, Porsche had already acquired the reconstructed library of Franz Kafka from Herbert Blank in order to donate it to the Franz Kafka Society of Prague.

Porsche was happy to be voted “Language Custodian of the Year” by a reader’s poll held by the “Deutsche Sprachwelt” (“German-speaking World”) magazine. The magazine's readers were impressed by the sports car manufacturer’s commitment to retaining German as the official corporate language. In contrast to other internationally active German companies, thinking and talking in German has strong roots in Zuffenhausen and Weissach. Porsche is in good company in holding this distinction. In previous years, the award was given to Pope Benedict XVI, the poet Reiner Kunze and the distinguished singer Edda Moser.

Porsche Museum almost complete
Construction of the new Porsche Museum at the company’s headquarters in Stuttgart-Zuffenhausen is very nearly finished. Visitors will in future gain their first impression of the fascination of the Porsche brand as soon as they enter the foyer. In addition to information, a restaurant, a coffee bar and the museum shop, they will be able to take a look at the museum work-shop for historical vehicles. This is where customer vehicles are taken care of by experts, and the more than 300 museum vehicles are prepared for their international driving assignments as a “traveling museum”.

By putting all exhibits on the road, the 80 vehicles on show in the new museum will be in a constant state of flux. Porsche fans will therefore be able to view different rarities each time they visit the museum. The common thread of the exhibitions will be the chronologically organized history of Porsche’s products. Themed arrangements will also highlight the most significant vehicles, racing classes and technological innovations of Porsche. As a third aspect, small exhibits will give visitors an impression of the unmistakable character of the brand. The new Porsche museum serves as a venue for both exhibitions and events. With its generously designed conference rooms and exclusive catering, it can also be used for conferences and is available on a very flexible basis outside regular Museum opening hours, too.

Jelena Jankovic, the winner of the Tennis Grand Prix was congratulated at the award ceremony by Dr. Wendelin Wiedeking and Dr. Wolfgang Porsche.

Customers and employees always well informed
The customer publication “Christophorus”, which has been used as an important customer loyalty tool since 1952 (making it one of the first publications of its kind) underwent several improvements in the year under review. The magazine, which reports on the technology in new Porsche models and various lifestyle topics, has been of growing practical value to customers over the years, for example with tips on journey routes or events. “Christophorus” is published every two months in twelve markets and now in ten languages, including Mandarin, Japanese, Korean, Russian and Arabic. Portuguese is soon to be added to the list to cater for the burgeoning Brazilian market. The magazine’s popularity with readers can be seen by the print run, which has now risen to more than 330,000 copies.

Porsche is at great pains to ensure that not only its customers but also its employees are kept informed of important events relating to the Company. “Carrera” is the name of the employee magazine that has been reporting each month for almost a quarter of a century on events relating to Porsche, making a significant contribution to employee motivation. After all, well-informed employees feel that they are taken seriously, and by keeping abreast of events they feel a closer connection with the company and the common goals. In the year under review, the changing reading habits of society at large resulted in the integration of an online edition of “Carrera” in Porsche’s new intranet. The employee television channel “Carrera TV” also plays an important role in keeping employees in the picture. “Carrera TV” broadcasts new, interesting reports on the inner workings of the Company on a monthly basis.

The new museum at Porscheplatz in Zuffenhausen is an architectural masterpiece.

Award-winning marketing communications
Porsche’s communications received several international awards for excellent films in fiscal 2007/08. The product film “Achtung” (Respect), starring the new 911 GT2, met with particular success. Not only did the film win the gold medal at the New York Festival, it also received gold at the World Media Festival in Hamburg and the International Film and Video Festival in Los Angeles, as well as being awarded the “Prix Victoria” at the International Business Film Festival in Vienna. “Welt der Emotionen” (World of emotion), the image film of Porsche Leipzig GmbH, and the motorsport film “Aus Prinzip” (As a matter of principle) also received awards at the events in New York and Los Angeles.

911 Carrera campaign launched
The marketing communications department has once again made targeted and efficient use of its advertising budget. The particularly sporty Cayenne GTS, for example, presents itself as the model in its series with the best handling in the introductory campaign “Ideallinie” (Ideal line). In addition, the “Da Capo” campaign for the new 911 Turbo Cabriolet and the “Achtung” campaign for the 911 GT2 have generated a great deal of interest among customers throughout the world. Moreover, the mid-engined sports cars Cayman S Porsche Design Edition 1 and Boxster RS 60 Spyder both had successful market launches supported by comprehensive communications measures.

The campaign to launch the sale of the new 911 Carrera models was introduced at the end of fiscal 2007/08. True to the motto “inner strength” it primarily emphasized the technological innovations of the vehicles as well as the considerable reductions in fuel consumption and CO_2 emissions.

This was supplemented by the worldwide "technology campaign", which added the themes of technology and the environment to Porsche's more emotional commercials. A brochure on the environment and a technological glossary were also made available to users of the Porsche web site.

Excitement relating to the victories of the RS Spyder sports car in the American Le Mans Series (ALMS) and first place in the "LMP2" classification in the 2007 season was reflected in a comprehensive communications strategy. In addition to internet reporting on the RS Spyder races and providing the international trade organization with photographic and video material, activities focused on adverts that recognized all of the sports car's victories. The RS Spyder was also a major attraction at motor shows and other events. In the 2008 season, efforts were redoubled following the first start of the RS Spyder at the 24-hour Le Mans race, and the double victory in its class which followed.

Sales in the eBusiness sector developed very favorably. The international launch of the redesigned "Porsche Design Driver's Selection Online Shop" bore fruit, and the ongoing development of the "Porsche Sport Driving School" and "Porsche Travel Club" divisions in the internet also contributed to increased sales.

In order to ensure one voice to the customer throughout all stages of a sale, great store continued to be set by the design of the dealership websites in accordance with the standardized international design principles. Almost 530 dealerships throughout the world currently operate their own websites under the Porsche brand name.

In addition to this impressive growth, the content of the Porsche website was further optimized in the year under review. The success of these efforts can be seen in the popularity of the Porsche website. For example, the "Ideallinie" web special to accompany the launch of the new Cayenne GTS

Porsche donated Walter Benjamin's "Stefan Manuscript" to the Marbach literary archive and arranged a reading by the actor and director Vadim Glowna.

Successful internet presence
Interest in Porsche's internet presence increased once again in the tenth year of its existence. With around 41 million page views and an average of 3.7 million visitors each month, demand continues to set new records. At the end of the period under review, 14 subsidiaries and 33 websites belonging to importers could be reached via the www.porsche.com portal. In addition, fiscal 2007/08 saw Porsche Automobil Holding SE launch its website, www.porsche-se.com.

received the "Favourite Website Award". And in the reader vote for the "Internet Auto Award", the "Da Capo" web special to accompany the launch of the 911 Turbo convertible was named the "Best Web Campaign". The Porsche website also received acclaim in the US: the respected American market research institute J.D. Power ranked Porsche's website fifth in its "Manufacturer Website Evaluation Study", making Porsche.com the highest-ranking European website in the study.

Environment

Porsche has long set itself high environmental targets, investing heavily in their realization. The new generation of the 911 and Cayenne series with reductions in fuel consumption and emissions of up to 15 percent hit the market.

The European Union wants to establish a position as a forerunner of climate protection and to reduce total CO_2 output by 30 percent on 1990 values by 2020. The officials in Brussels have even set their sights on a 60 to 80 percent reduction in carbon dioxide emissions by the middle of the century. This is a highly ambitious target that could only be achieved through a massive collective effort on the part of all CO_2 emitters – households, industry and transport.

The public debate, however, often gives the impression that the automobile is primarily responsible for potential climate change. Despite the fact that passenger cars only account for twelve percent of total CO_2 emissions in Germany, many environmental activists in particular consider personal transport to be the root of all evil, reason enough for politicians to pay particular attention to reducing passenger car emissions.

In December 2007, the European Commission published a proposal to limit the CO_2 emissions of all passenger cars registered from 2012 onwards. According to the proposal, the average emissions of the vehicle fleet should be 130 grams per kilometer. Additional technical measures such as tire pressure monitors, low rolling resistance tires, efficient air conditioning, upshift indicators and biofuels would then reduce emissions by a further ten grams per kilometer. For car manufacturers, this would mean reducing emissions by eleven to 49 percent, depending on the model line-up. Porsche would have the most stringent target to achieve, being required to reduce the average fuel consumption of its vehicles to around six liters per 100 kilometers.

The German government has rightly proposed amendments to the Commission's draft. Together with the French government, it supports the phased introduction of the CO_2 threshold in order to give manufacturers more time to make the necessary technological developments. Given that – even assuming swift agreement – the proposal could not be enacted before the first half of 2009 at the earliest, the automotive industry would at best have three years for implementation. Since development time for a new vehicle is four years, this is simply not long enough.

Irrespective of this, Porsche is naturally willing to contribute to protecting the climate. The Company has always set itself ambitious targets with regard to environmental protection, and earmarked considerable funds for this purpose. In this way, the Company was able to reduce CO_2 emissions by an average annual rate of 1.7 percent over the last 15 years. This is ahead of the field in the automotive sector. And the latest generation of the Cayenne and 911 Carrera model series saw fuel consumption drop by 15 percent. Future targets can be ambitious, too, provided they are realistic and are feasible in terms of time and technology. Porsche acknowledges its responsibility, and environmental protection is a core component of company policy. The development, production and sale of vehicles can only have a future if economic, ecological and social factors are taken into account.

At the same time, the automotive industry's share of emissions must be put into perspective. The public debate should reflect the fact that power-stations contribute 43 percent of Germany's CO_2 emissions. And at 14 percent, even private households have a bigger carbon footprint than passenger vehicle traffic.

More small cars as luxury vehicles

The at times severe public criticism leveled at the high-performance cars of quality manufacturers such as Porsche is as unjust as labeling vehicle traffic as the main cause of CO_2 emissions. It goes without saying that top class sedans and off-road vehicles produce more exhaust gases than small cars – no one can break the laws of physics. However, it would be wrong to surmise from this that the sum of emissions from these models would pollute the environment more than small city run-abouts. After all, there are considerably more small cars on the road than there are high-performance vehicles.

In 2006, for example, less than 199,000 new registrations were recorded in the EU for the 1,000 highest-performance models with between 255 and 655 hp. Their contribution to the total CO_2 emissions of all newly registered vehicles was a mere 2.5 percent. In contrast, the 1,000 most popular models, of which 9.8 million were registered, accounted for around two thirds of emissions. Add to this the fact that luxury vehicles burn fuel very efficiently, and therefore have lower consumption and emissions than any small vehicle in relation to performance (that means per hp). This is because innovative and expensive technologies are used in luxury vehicles that are generally only incorporated into lower-end vehicles at a later date. Purchasers of small vehicles and indeed the environment therefore benefit from the willingness of luxury vehicle customers to pay higher prices for expensive innovations.

As a specialist in high-quality luxury vehicles, Porsche is unable to reduce the average emission figures for its vehicle range by producing small cars. Large-scale manufacturers, on the other hand, can offset the consumption figures of their sports cars and SUVs against the small cars in their model range, and in so doing arrive at a relatively low average value for their fleets. However, when comparing competitors' products with Porsche vehicles, it becomes clear that the 911, the Boxster and the Cayenne are the best in their class when it comes to environmental figures.

Moreover, Porsche's share of the European market amounts to less than 0.3 percent. And all Porsche vehicles ever registered in Germany, including old-timers, do not even contribute one-tenth of a percent of overall CO_2 emissions. This means that if all Porsche drivers were to switch to using their bicycles tomorrow, it would not have the slightest effect on the climate.

Obviously, Porsche does not see this as carte blanche for taking no action whatsoever. At the Research and Development Center in Weissach, the engineers are hard at work on an innovative hybrid drive system that will enable the Cayenne to achieve fuel consumption of less than nine liters per 100 kilometers. The ultra-modern parallel-full hybrid drive is also to be incorporated in the Gran Turismo Panamera, due to be launched in 2009.

Environmental protection in all that we do

The principle of saving resources and limiting the environmental impact does not just apply to Porsche's vehicles and their operation. The Company's stated goal is to minimize the negative impact of all of its activities on the environment, while simultaneously supporting international efforts to solve global environmental problems. Compliance with valid environmental regulations at Porsche is governed by its environmental guidelines.

Effective environmental protection not only requires modern technology, but also effective environmental management that relies heavily on the support of every single employee. As a corporate management instrument, environmental management contributes to the ongoing development of environmental protection. It governs processes, responsibilities and competencies, and ensures that each employee knows and takes into account the impact of their activities on the environment.

Internal environmental audits are conducted annually, 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. The results are positive across the board, and verified by an external expert. This ensures the high quality of the Company's environment management.

Seal of quality for Zuffenhausen
In June 2008 the main plant in Zuffenhausen was certified for the third time in accordance with ISO 14001, as well as receiving its fourth validation in accordance with EMAS. The criteria were met for both certifications. In its latest "2008 Environment Statement", Porsche demonstrates that it has not only met the ambitious targets set in 2005, but even exceeded them in many respects. The Company set new environmental targets for fiscal 2008/09 in the course of the management by objectives process. The achievement of these objectives is guaranteed by the fact that environmental protection forms an integral part of the continuous improvement process.

In the field of logistics, internal transport from plant 2 to plant 3 via a bridge was replaced by the new multifunctional hall for engine assembly, thus reducing CO_2 emissions. The relocation of wheel and tire processing from Korntal-Münchingen to Zuffenhausen has also reduced transport distances. At the upholsterer, solvent emissions have been reduced by means of a new exhaust scrubbing plant with regenerative afterburning, bringing them well under statutory limits.

Weissach focuses on nature conservation
The Research and Development Center in Weissach was successfully certified for the second time in accordance with ISO 14001 in the year under review. Ambitious environmental targets have formed an integral part of the Company's vehicle design process for many years. Operational improvements are also underway at workshops, test benches and checking equipment.

The rural location of the development center makes it essential for operation and expansion to be environmentally friendly. This is why the Company works together closely with the local branch of the "BUND Weissach" nature conservation society when launching new projects. This has demonstrated that both sides – and more importantly, the environment – benefit from cooperation. The site-earmarked for the new development project in Schellenberg was assessed in collaboration with "BUND".

The Company's standardized waste management concept has also proved itself at Porsche's facilities in Ludwigsburg. The new "Active for the environment" notice boards enable employees to quickly classify waste and deposit it in the designated containers.

Landscape conservation in Leipzig
Porsche Leipzig GmbH was successfully certified in accordance with ISO 14001 in June 2008. The site is currently being redesigned in preparation for the fourth model series, the Grand Turismo Panamera, which is to roll off the line in 2009. New production halls and facilities have also resulted in changes to environmental activities.

One of the most important objectives is to maintain the ecological balance of the land in Leipzig together with its plant and animal life. Meadows have been created to compensate for the effect of the landscaped off-road circuit, and these were expanded in 2008. The introduction of aurochs and wild horses was part of a comprehensive landscape protection concept. The area is home to a great many hares, foxes and deer, and bats benefit from the number of insects found in the biotope.

Following a construction period of less than one year, the first wing of the new central spare parts warehouse in Sachsenheim was commissioned. Porsche's high environmental standards were also applied here, with an environmentally friendly combined heat and power plant supplying a substantial share of the energy and power for the facility.
The warehouse is incorporated in Zuffenhausen's environment management system in accordance

with ISO 14001. The first environmental testing process took place in the spring of 2008, and ISO 14001 certification was awarded to Sachsenheim following a successful audit.

High standards beyond the factory gates
Environmental protection does not stop at the factory gates. Porsche is therefore keen to involve its business partners and associates in its efforts. An environmental code of conduct ensures that external firms and contractors apply the same standards and laws as Porsche. Effective waste management by qualified disposal companies not only saves resources, but also ensures that activities comply with the law. This is why in 2008, Porsche reviewed and assessed more than 50 disposal facilities throughout Germany.

Apart from the technology, attention focused inparticular on legally compliant disposal and on evaluating the management system. Disposal facilities that have been certified in accordance with ISO 14001 are of increasing importance to Porsche, as they guarantee a high standard throughout the entire process chain from development through production to disposal.

Production

The plants in Stuttgart-Zuffenhausen and Leipzig are operating at full capacity. At the same time, the new 911 Carrera and Targa models went into series production.

Porsche's production facilities continued to operate at full capacity in fiscal 2007/08. Moreover, the work of the production division was heavily influenced by the launch of new models. More Cayennes rolled off the line in Leipzig than during any past fiscal year, while at the same time the expansion of the plant and preparations for the fourth model series, the Gran Turismo Panamera, are proceeding as planned. At the Zuffenhausen plant, which also ran at maximum capacity, construction of the new-generation 911 was ramped up and integrated in ongoing production. Porsche was able to maintain and even improve on its high quality standards in spite of the extraordinary workload. The renowned US market research institute J.D. Power voted the plant in Zuffenhausen one of the best production facilities in the world, impressive recognition of the plant's achievements.

In fiscal 2007/08, the Company produced a total of 105,162 vehicles, a 3.3 percent increase on the prior year. 34,303 units from the 911 series were assembled in Zuffenhausen, twelve percent less than in the previous year. Almost all vehicles of the Boxster model series, which includes the Cayman models, were constructed by Porsche's Finnish partner, Valmet. At 22,356 units, production fell short of the 26,712 vehicles built in the prior year. In the first full fiscal year since the introduction of the second generation Cayenne, more units of the sporty off-roader rolled off the line in Leipzig than ever before, with a total of 48,497 vehicles produced. Growth on the prior fiscal year came to 34.1 percent.

Major restructuring of engine construction
One major challenge for production at the Zuffenhausen site was the ramp-up of the new generation 911 model series. Integration in the production process went smoothly. An important factor was collaboration with Development on the vehicle creation process from an early stage. This meant that the ambitious quality specifications were already met in the preproduction series, and the new vehicles handed over to the sales organization meet a high quality standard from the very beginning.

The greatest transition accompanying the new generation 911 was without question in engine construction. The completely new generation of Boxer engines forms the foundation on which all of the sports cars component assemblies will be based in the future. The engines are manufactured on a radically modified assembly line, which allows for a completely variable mix in accordance with demand.

The new generation of engines also spawned cutting edge quality assurance with significantly more efficient monitoring procedures. This was a technical requirement on account of the direct fuel injection of the new components, but at the same time results in considerable advantages for the process. The engines are no longer tested to their limits in the “hot test” for extended periods of time at high revs. Instead, they are put through a “cold test” under low stress in which the quality data is recorded. The number of data recorded is nevertheless significantly higher than in previous procedures and this data is systematically incorporated in the production process, leading to significant improvements in quality assurance. In addition, selected engines are still subjected to a “hot test” which is now even more intensive thanks to the lower numbers.

Focus on modern workplaces
In redesigning the engine assembly line, the Company has been able to design the workstations for optimum ergonomics, and not only in the interests of improving productivity in assembly. Another important reason is demographic development in Germany, which is reflected in the age structure of Porsche’s workforce. In cooperation with Darmstadt Technical University, new jobs at Porsche are reviewed with regard to physical and mental stress in a “design check”, and subsequently designed to allow older employees to work in them.

In the interest of optimized labor organization, particularly for the start-up of new models, Porsche implemented the comprehensive “Fit für 997 II” program in the spring of 2008 to inform and train the workforce. At a kick-off event, planners and developers provided all employees with information on the new product. All quality criteria were then subjected to testing with the participation of the foremen and planners, and training for specific assembly steps was carried out directly on the assembly line. Critical aspects can thus be clarified during planning and preparation before the start of series production.

The expansion of teamwork is an increasingly significant factor in ongoing quality improvement. By the end of 2008, all industrial employees in assembly had been organized into teams. These offer the best opportunity for the flexible organization of labor and the continuous improvement of processes.

Further improvements in logistics
Core processes must be continuously optimized and streamlined in order to reduce the complexity of production at both of Porsche’s plants and the contract manufacturer in Finland. This will remain a central issue for the production division in the future and requires the standardization of logistics and operating resources at all sites. Plastic fold able universal containers were used in the year under review for this purpose. They simplify the logistical process, particularly for suppliers of the manufacturing sites in Zuffenhausen, Leipzig and Finland, quite considerably.

However, the plastic containers are not just an important step towards standardization in production. They also have significant environmental benefits, as they reduce weight while improving transport capacity. When folded they take up only a third of the space needed when filled, meaning that the system can dispense with some deliveries that would otherwise have to be made.

The introduction of a new, expanded IT logistics system for materials management in Leipzig represents a further step toward standardization, and therefore the streamlining of manufacturing processes. It was originally introduced in order to manage future challenges relating to the additional production of the Panamera. It will also form the basis for standardizing the manufacturing processes in Zuffenhausen, so that both plants work with the same systems.

Porsche supports suppliers in many ways in order to ensure problem-free production and high quality standards in the long term. A team of manufacturing experts that can assist suppliers in the fields of manufacturing and delivery is in place to enable swift remedial action for any deficits with a minimum of red tape.

Utterly reliable delivery dates
With a view to optimizing order processing, the Company introduced a planning and order processing system for dealers and importers in the year under review based on the “PIA” process (Porsche Integrated Order Management). Initial solutions were implemented in China and Russia at the end of 2007, and the newly-established subsidiary in Switzerland has been using the entire system since June 2008 as a pilot project.

For the first time, this system puts dealers in a position to be able to give customers a reliable delivery date for the vehicle ordered in accordance with their individual wishes during the sales consultation itself. This takes into account all necessary production and transport times, and each deadline is guaranteed. This is not only of considerable benefit to the customer, who knows exactly when they will receive their new vehicle regardless of whether delivery is to be made in the US, China or Brazil, but also allows much more accurate production planning, thus enhancing productivity.

More efficient production in new facilities
In addition to the considerable expenses incurred for the production of the Panamera in Leipzig, Porsche also spent significant amounts on the Zuffenhausen plant. The new multifunctional hall with a total 11,000 square meters of useable floor space on two floors has been up and running since the beginning of 2008. The upper level houses the consignment of parts for engine construction. The parts are supplied to engine assembly via a bridge using a driverless transport system. The relocation of logistics to the new hall created space in the engine plant for an additional assembly line for Panamera components. Work was completed on time and the construction of the first engines proceeded as planned.

Porsche commissioned its new central spare parts warehouse in Sachsenheim near Ludwigsburg.

The lower level of the multifunctional hall incorporated pilot series production in the year under review which had previously been accommodated in another plant. Now almost all prototypes are assembled here, so that lessons learned from production can be swiftly incorporated in the development of new vehicles.

The extension of the vehicle assembly line in Zuffenhausen was completed during the works vacation in the summer of 2008, and the new assembly stations were integrated in the production sequence from August. This also serves to improve vehicle quality. It was necessary to space out assembly by extending the line to cater for increased vehicle complexity. Following the redesign, a maximum of two employees now work on any vehicle at the same time. Not only do they have more space, but also more peace and quiet to concentrate on their work. For this project, too, Porsche examined every workstation in cooperation with Darmstadt Technical University with a view to optimum ergonomic design.

Work began on a new paint shop in fiscal 2007/08 at the former premises of Dürr AG, which Porsche acquired in the spring of 2007. Construction work is scheduled for completion in 2011 at a cost of around 200 million Euro. This will be a state-of-the-art facility and meet all legal requirements. The facility will have the capacity to paint 170 vehicles per day in two shifts, with three shifts also possible. For a transitional period, the facility will work in parallel with the existing paint shop. The new facility guarantees jobs in Stuttgart and creates the conditions for keeping the construction of luxury vehicles like the 911 in Zuffenhausen.

Central spare parts warehouse is operational
The first 40,000 square meter wing of the new central spare parts warehouse in Sachsenheim near Ludwigsburg was commissioned in April 2008. The building, constructed at a cost of 28 million Euro, offers a pleasant, light and airy working environment that meets the latest environmental standards. Once the new warehouse had become fully operational, Porsche withdrew from five sites that the Company had leased in the Stuttgart area. The current spare parts warehouses in Ludwigsburg and Waiblingen will also be abandoned once the second stage of construction in Sachsenheim has been completed. In total, Porsche intends to invest more than 100 million Euro in the site to create a central warehouse with floorspace of around 110,000 square meters, in which around 80,000 items are stored for current and historical models. This will lead to the phased creation of 300 jobs.
In addition to geographical proximity to suppliers, of which many are based in Baden-Württemberg, a strong argument for the location of the new central warehouse was its access to international transport routes. In the future, all parts from a simple seal to a complete engine will be distributed from Sachsenheim to dealers and workshops in more than 100 countries.

Leipzig running at full capacity
February 2008 saw the celebration of a special landmark: the 200,000th Cayenne rolled off the assembly line. The second generation of the sporty off-roader, which first came onto the market less than a year previously, met with great interest on the part of customers on account of its high-performance, economical engines. In fiscal 2007/08, the new Cayenne GTS and Turbo S models were added to the portfolio. Targeted quality planning in preproduction series and during ramp-up enabled the Company to meet planned quality targets from the very beginning.

In addition to current series production of the Cayenne, the focus is on preparations for the production of the Gran Turismo Panamera, which will be launched on the market from 2009. Construction of a 25,000 square meter assembly hall and a 23,500 square meter logistics center, begun in the fiscal 2006/07, was completed on schedule. During the works vacation of December 2007 and January 2008, the existing Cayenne assembly line was redesigned to assemble the Panamera alongside the sporty off-roader. Construction of preproduction vehicles began as scheduled in June 2008.

In building the Panamera, Porsche has remained faithful to its tried and tested production concept. This makes it possible to construct quality vehicles in Germany at competitive prices. While the engines are manufactured in Zuffenhausen, the Volkswagen plant in Hanover supplies the painted body shells. This gives Porsche 15 percent vertical integration. However, 70 percent of the value is added in Germany, because the Company mainly works with domestic suppliers. The production of the Panamera in Leipzig has created around 600 new jobs, which were largely filled in 2008.

Training is an ongoing endeavor
An important task at both Leipzig and Zuffenhausen is the constant improvement of productivity and quality. The Porsche Improvement Process (PVP), which is firmly established throughout the Company, entails a number of regular individual measures aimed at optimizing the entire production process right down to the suppliers. PVP workshops prepare the workforce for the optimum production of new vehicles from the very beginning and for meeting quality targets. The selection of employees for the production of the Panamera began in June 2008. A recruitment campaign not only unearthed the best candidates. It also created a broad age range in keeping with demographic developments.

The systematic analysis of previous workforce development and future training requirements was conducted with all employees at Leipzig in the form of an annual interview. This formed a part of the "s.p.e.e.d." process. A 24-month program named "MAX s.p.e.e.d.", in which young management potentials are prepared for future management roles, ended in July 2008.

The success of Porsche's intensive efforts to improve quality is shown by the top marks received from the renowned US market research institute J.D. Power. Apart from a first place for the Zuffenhausen plant in an international comparison, Porsche also came first for the third time in a row in the prestigious "Initial Quality Study". In this, market researchers assessed the satisfaction of new vehicle customers in the first 90 days following delivery.

Magna Steyr to succeed Valmet
Porsche will continue its successful cooperation with its Finnish partner Valmet for the production of the medium-performance Boxster and Cayman until 2012, as agreed by contract. So far, the Company has produced more than 200,000 sports cars of exceptional quality.

Following an invitation to tender, Magna Steyr Fahrzeugtechnik AG & Co. KG in Graz was awarded the contract as the future manufacturing partner. Apart from making the most financially attractive offer, the Company also has the capability to take on development orders for Porsche's sports cars. Moreover, synergies result from the range of supply relationships. The Company already makes a number of components for Porsche, above all soft top systems and body parts.

This new partner will enable Porsche to continue its model of the "breathing factory" into the next decade. All production volumes of the Boxster series that cannot be made in Zuffenhausen for capacity reasons will be built in Magna Steyr's Graz plant from 2012. Porsche will supply the engines and components. This will ensure that the Zuffenhausen plant continues to operate at full capacity in the future.

Employees

Porsche recognized the efforts of its workforce with a voluntary one-off payment of 6,000 Euro to every full-time employee. The Company also invested heavily in training.

The atmosphere of trust that the management, employees and employee representatives at Porsche have cultivated for many years is the foundation of Porsche's success. The positive working environment and high level of employee satisfaction make each individual more willing to strengthen the competitiveness of the Company still further. Employees are given a financial stake in the success of the Company as an acknowledgement of their exceptional performance. This is why each full-time employee at Porsche who joined the Company before 1 August 2007 received a voluntary one-off payment of 6,000 Euro in the year under review, in addition to the annual salary of 13.7 monthly payments (including vacation pay and Christmas bonus above agreed rates). Last year, this payment amounted to 5,200 Euro.

The number of people employed by the Porsche Group continued to rise in fiscal 2007/08. As of the balance sheet date of 31 July 2008, 12,202 people were employed by the Porsche Group, 5.5 percent above the prior year level. Porsche AG and its subsidiaries in Germany and abroad advertised and filled numerous positions in the year under review. This applies in particular to vehicle development and sales with subsidiaries, but also to Porsche Engineering Services, Porsche Consulting and Mieschke, Hoffmann & Partner Gesellschaft für Management- und IT-Beratung mbH.

To continue to meet the high personnel needs created by Porsche's growth, it has become more important than ever to address all target groups. That is why Porsche developed a concept during the period under review designed to give its graduate marketing efforts a more international direction. A particular focus is on female academics in technical vocations. Collaboration with various partners was intensified, for instance with Femtec GmbH in Berlin which supports female engineering and science students.

Central HR management analyzed the consequences of demographic change for Porsche as early as fiscal 2006/07. The year under review saw the commencement of further activities following on from the definition of the first round of measures under the medium-term planning process. These efforts are not just aimed at attracting young potentials, but also at maintaining the performance of older employees. Special attention was devoted to issues relating to the retirement age and to career planning oriented to the different stages of life.

Standardized remuneration is implemented
In 2003, collective bargaining partners in the metalworking and electronics industries agreed to a standardized collective remuneration contract that must be implemented in all companies bound by collective agreement by February 2009. The Executive Board and Works Council detailed the main content of the agreement in a keynote paper reflecting the specific requirements at Porsche and designed to serve as the basis for further negotiation.

The sixth round of the Company's "Porsche Career Promotion for Junior Employees" (PNF) and "Globalution" projects was started under the strategic management process. The sponsor and patron of the "Globalution" project in the year under review was Porsche Asia Pacific. The program includes an assignment to different divisions which runs for several weeks and gives young potentials from the international subsidiaries an insight into the various business processes.

The "Porsche Management Assessment and Development" (PFE) process was continued at the third management level. The program enables the expedient planning of personnel succession throughout the group. This was supplemented by the fourth round of "Porsche Management Training", a practical program for experienced potentials.

Training tailored to specific target groups was expanded. More than 300 new employees took part in the "Porsche Warm Up" introductory program in the period under review. This gives employees a particularly fast introduction to the Company, as well as a uniform basic understanding of important corporate processes. An additional, individual program called the "production-line internship" which involves several days' assignment to production was received with interest.

Training program extended
Preparations for the launch of the vocational training course to qualify for the new profession of automotive industrial mechanic were concluded in fiscal 2007/08. In the future, a three-and-a-half year program will train skilled workers in sports car production. The training focuses on three aspects. Firstly: basic training covering all important materials used in automotive construction and their processing, such as turning, milling and welding. Secondly: detailed study of automotive technology. And finally, teaching comprehensive knowledge of the production process including logistics, division of labor and quality management. At the end of the training period, the automotive industrial mechanics will be able to assume any position within the production process.

All trainees in their first year of training also took part in the "Q day" held in fiscal 2007/08. This is a one-day event devoted to quality issues and aimed at increasing young people's identification with quality processes, particularly in production.

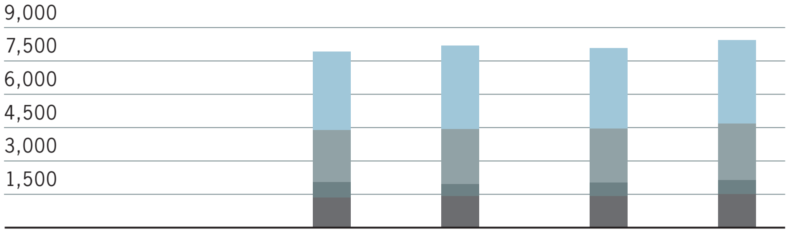
In close collaboration between the engine assembly and vocational training departments, employees who were transferred from mechanical assembly to the new engine plant received comprehensive training. For three weeks the skilled workers were given an introduction to engine technology and assembly at the training center. This was followed by three weeks of on-the-job training to reinforce this knowledge. The training program ensures the highest level of quality from the very outset.

Employee awareness of environmental protection
Effective environmental protection requires a functioning environmental management regime coupled with modern technology. A new brochure entitled "Waste management at Porsche AG – questions and answers" was published in the year under review to provide employees with comprehensive information on this issue. The brochure includes all essential information on waste from the office, production, workshops and test benches.

The environment week held at Porsche every year has become a regular event. The ninth environment week, held in fiscal 2007/08, focused on the entire lifecycle of a vehicle. The four phases of development, production, use by the customer and recycling were examined under the slogan "Environmental protection at Porsche – come on board!". In addition, employees from corporate environmental protection organized seminars to inform Porsche employees of the current legal situation and technical possibilities.

Considerable reduction in accidents
Porsche believes that creating a safe working environment is one of its most important duties. Activities focus on safeguarding the health of employees. In the year under review, the number of accidents fell 25 percent on the prior year. This

Employees
Porsche AG



	2004/05	2005/06	2006/07	**2007/08**
Production	3,599	3,814	3,742	**3,805**
Development	2,376	2,494	2,476	**2,561**
Sales	689	557	597	**630**
Administration	1,331	1,392	1,414	**1,477**

success is in part due to a systematic analysis of workflows and tasks, as well as raising awareness of safety through regular seminars and courses. The programs and measures are tailored to the specific needs of Porsche. Accident analysis identifies weak spots and minimizes risks. Regular audits monitor compliance with safety standards.

Risk analysis also features prominently in the planning of new facilities. Binding agreements with manufacturers and suppliers ensure that all aspects, from the safety of machinery to health protection, are taken into account. Porsche sets particular store by regular training in the safe operation of machinery by employees with a view to implementing uniform safety standards.

The focus of the annual health days in fiscal 2007/08 was on healthcare and cancer prevention. Krebsverband Baden-Württemberg e.V. cancer association and several health insurance funds provided information on care and prevention. More than 300 employees from Zuffenhausen, Weissach and Leipzig took advantage of the free skin cancer screening. The “Prevention first” program introduced in 2004 aims to prevent muscle, skeletal and cardiovascular diseases. The number of participants continued to rise in the year under review.

Thanks to all employees

The professional and highly motivated attitude of the workforce again formed the basis for an exceptionally positive performance in fiscal 2007/08. The Executive Board is aware that the commitment and flexibility at all of Porsche’s sites is well above average, and would therefore like to take this opportunity to personally thank all the Company’s employees.

Employee representatives ensure a trusting working relationship between staff and management. They support daily work with foresight, acting in the interests of employees without losing sight of the necessities of business. The Executive Board would like to expressly include the employee representatives in its expression of gratitude.

Purchasing

The construction of the new museum, the expansion of the Leipzig plant and the construction of the central spare parts warehouse in Sachsenheim were the challenges facing the purchasing department. Never before has Porsche bought so much material that was not destined for vehicle production.

The Company's activities in fiscal 2007/08 focused on the series production start of the new 911 Carrera with more economical engine variants and the Porsche Doppelkupplungsgetriebe (PDK). In addition, steps were taken to ensure the smooth production start-up of the new sporty GTS and high-performance Turbo S variants of the Cayenne series.

As well as involving key system suppliers in the entire development process of the new generation 911 Carrera, which was brought onto the market at the end of the year under review, the partners also mastered the start-up phase together with flying colors. New technologies were integrated into series production on schedule and without compromising on outstanding quality in any way. This applies in particular to the new Porsche Doppelkupplungsgetriebe (PDK), direct fuel injection (DFI) and the electronically controlled multiple-plate clutch for the all-wheel drive variants 911 Carrera 4 and 911 Targa 4.

Focus on new hybrid drive
In the year under review, the purchasing department prioritized hybrid drive technology. This refers specifically to the very economical full parallel hybrid system. Both, the sporty off-road Cayenne and the fourth model series, the Gran Turismo Panamera, will be released as hybrid variants.

Preparations for series production of the Panamera had almost been completed by the end of the period under review. Now, in fiscal 2008/09, the purchasing department is already turning its attention to future models for other series. Partners must be chosen for development and purchasing. Porsche integrates major suppliers into the product creation process at an early stage in all projects to benefit from their know-how during the early design stages of a new vehicle.

A strategic milestone was reached for the Boxster and Cayman models in fiscal 2007/08. The mid-engined sports cars previously built by Valmet in Finland will be made by Magna Steyr Fahrzeugtechnik AG & Co. KG in Graz, Austria from 2012. Significant purchasing synergies are already being generated by the diverse supplier relationships with companies belonging to the Magna Group.

Risk management for suppliers

In view of the high proportion of value added by external companies, one of the purchasing department's main concerns is ensuring that Porsche's suppliers remain stable and in a position to deliver. As part of supplier management activities, numerous optimization projects were implemented in cooperation with suppliers during the year under review. These dealt with ongoing series production, safeguarding the start-ups of new vehicles and ensuring smooth development.

The regular evaluation of suppliers throughout fiscal 2007/08 underscored the high level of cooperation. Quality, punctuality and cost discipline were at least on a par with the previous years' levels as regards current series. Moreover, there were significant improvements with reference to the supply of spare parts. The broad agreement between the choice of partners under the selection process and their actual performance confirms that the contract award process is extremely effective.

Risk management to monitor the financial stability of suppliers was extended further. For ongoing series production, this constitutes an important selection criterion alongside performance evaluation and has been fully integrated in the contract award process. The income and liquidity risks of individual suppliers and a series of insolvencies were managed during the year under review without impacting on supply.

The number of suppliers experiencing financial difficulties continued to decline, which in turn improved the reliability of the supply chain. Given ever tougher competition among suppliers and a potential slowdown in the worldwide automotive industry, reliability is likely to become an even more important issue in the next few years.

Cost of materials per vehicle reduced

Fiscal 2007/08 saw renewed strong increases in raw material prices. While steel prices remained high and oil set new records, precious metals also achieved new highs in the period under review. Targeted risk hedging and additional cost reductions for other production materials limited the impact of these effects, and overall material costs per vehicle fell.

In the year under review, the Company purchased the highest volume of material not destined for production in its history. This was a consequence of several major construction projects and investment in operating resources for production. Major projects particularly worthy of note were the construction of the Porsche Museum, the development of the plant in Leipzig for the assembly of the Panamera and the first construction phase of the new central spare parts warehouse in Sachsenheim. At the same time, preparations began in Stuttgart-Zuffenhausen for the construction of the new paint shop.

Collaboration between group companies with regard to the purchasing of materials not destined for production was expanded further. This pooling of purchasing requirements throughout the group leads to considerable savings.


Cayenne hybrid
S GO 190


S GO 4123

Research and Development

Rather than relying solely on the traditional strengths of its products when designing new vehicles, such as great handling and outstanding performance, Porsche is also focusing on considerably reducing fuel consumption.

The Research and Development Center in Weissach burned rubber in the last fiscal year. The engineers did not just put a number of prototypes of the new Gran Turismo Panamera through a rigorous testing program – new models hit the streets across all of Porsche's model series or were waiting to take the start flag.

For the 911 Carrera, Boxster and Cayman sports cars, the engineers developed completely new drive trains: cutting-edge engines featuring direct fuel injection and the new Porsche Doppelkupplungsgetriebe (PDK) deliver greater engine output in the new models while substantially reducing fuel consumption. The Cayenne series was extended to include the powerful Turbo S and the reissued Transsyberia rally model. In addition, Porsche's prototypes of the Cayenne Hybrid demonstrated just how much the development of this environmentally friendly technology had progressed.

Optimizing processes and workflow also constituted a key area of development. A continuous improvement process ensures the optimal operation of development activities in terms of content, speed, versatility and cost-effectiveness.

The 911 is more efficient than ever before

State-of-the-art technologies have enabled a quantum leap in the seventh generation of the cult motorcar – the 911. For the first time, a Boxer engine equipped with direct fuel injection powers Porsche's sports car. The new modules afford a significant improvement on the predecessor's already excellent efficiency levels. Indeed, the output of the 3.6-liter engine has increased by more than six percent. And the increase in output for the 3.8-liter engine of the Carrera S is 8.5 percent. In terms of horsepower, the 3.6-liter engine has been boosted by 20 hp to a current 345 hp (254 kW). The S engine has seen an output increase of 30 hp to 385 hp (283 kW).

But the main selling point of the new drive trains is that the new 911 Carrera with automatic transmission has ratcheted fuel consumption below the ten-liter mark, averaging 9.8 liters per 100 kilometers, or 9.9 liters in the case of the Cabriolet. Based on the new European driving cycle (NEDC), the 911 Carrera S equipped with Porsche Doppelkupplungsgetriebe (PDK) delivers fuel consumption of 10.2 liters (the Cabriolet: 10.3 liters).

The direct fuel injection technology in new Carrera engines is designed for homogenous operation, that means the aim is to optimize the homogeneity of the fuel-air mixture. This allows optimal combustion with consistently low emissions, without placing special demands on fuel quality. A new air manifold comprising two individual round filters optimizes torque and engine performance. What is more, the new air filters only have to be replaced every 90,000 kilometers. By contrast, the air filters in the predecessor model had to be replaced every 60,000 kilometers. A key element of the complete overhaul of the Boxer engine is the integration of the injection jets in the cylinder heads. The crankshaft as well as the shape of the combustion chamber, the oil and water pump and the manifold have been entirely redesigned.

Its relatively low weight was always one of the distinctive features of this sports car series throughout its more than forty-year history. Consequently, the development engineers have continued to place a special emphasis on weight reduction. Despite the complex technology inside, the new engine weighs some six kilograms less than its predecessor. A dual-section crankcase with integrated bearing housing, for instance, replaces the former four-section cylinder block with separate bearing housing. At the same time, the developers increased the engine's thermal and mechanical robustness by redesigning the construction of the cylinders. This results in greater structural stability. Using high-resistance drive belts makes an auxiliary shaft redundant, thus reducing the weight of the engine.

The cylinder head continues to house the VarioCam Plus variable valve timing system developed by Porsche, which allows optimal output and torque while improving the fuel consumption and emissions levels and delivering smooth running characteristics. In order to further enhance the responsiveness and efficiency, the profiles of the intake and exhaust camshafts were readjusted. The reduced dimensions and weight of the fast-moving tappets reduce inertia and allow higher revs.

Optimizing the oil management system constitutes a further step in increasing efficiency. On the one hand this ensures oil supply with high utilization of greater lateral and longitudinal acceleration, while further reducing friction and drive loss. The oil cycle comprises a system with four oil scavenge pumps and, for the first time, an oil-pressure pump that is controlled electronically. The engine management system continually adjusts supply to meet current requirements.

A pioneer in double clutch technology
For the first time, Porsche has equipped a series production sports car with Porsche Doppelkupplungsgetriebe (PDK) instead of the Tiptronic S automatic transmission. A pioneer in the field, the Company has already accumulated more than 20 years of valuable motorsport experience with this technology. The PDK functionalities can be activated either by using the keys on the steering wheel spokes or a selection lever on the center console. Our development engineers were faced with the challenge of combining the engine's high input torque in an extremely compact transmission with a practical design, low loss in output and a low weight. The new motorcars are also equipped with an assistant for hill starts without needing to apply the hand brake.

Optionally, Porsche now also offers the PASM sports chassis for the 911 Carrera and Carrera S Coupé models. This enables a further increase in performance combined with improved driving comfort. In contrast to the predecessor model, the sports chassis can not only be combined with the manual transmission model, but is also available with PDK. The new tires are especially adjusted to the 911 Carrera, thus reducing abrasion and fuel consumption.

The most advanced technology has been applied consistently, resulting in a reduction in maintenance requirements. Carrera and Carrera S are not due in for their first servicing until they have clocked up 30,000 km or after two years. The low fuel consumption of the 911 and compliance with the EU5 emissions standard in Europe and the LEV II requirements in the USA also translate into lower maintenance costs.

Combination of dynamic styling and efficiency
The redesigned apron reflects the dynamism and efficiency of the new models. Despite the high requirements for cooling air and the larger wing mirrors, the car demonstrates outstanding aerodynamics. Indeed, the engineers aimed to ensure

sufficient cooling coupled with minimal air resistance. The full area underbody shell, which only has a reduced number of air intakes, also contributes to this objective.

The new 911 is unmistakable with its distinctive apron design, the large lateral air intakes and revamped light technology. All new 911s are equipped with bi-xenon lights and new LED daytime running lights integrated into the apron – above the lateral air intakes. Porsche also offers optional dynamic cornering lights. LED technology is used in the redesigned rear lights as well.

The interior design of the new 911 generation stands out due to its enhanced control concept. The new Porsche Communication Management (PCM) system is the central control unit for audio and communication, and was designed with greater performance, functionality and user friendliness in mind. It has significantly fewer control keys. An intuitive design was chosen for the menu navigation system. An optional navigation module with an integrated 40 GB hard drive affords a three-dimensional perspective in addition to the conventional two-dimensional display.

Only a few weeks after the launch of the 911 models with classic rear-wheel drive, the Carrera 4 and Carrera 4S as well as the Targa 4 and Targa 4S with all-wheel drive were launched on the market. In the new generation, Porsche Traction Management (PTM), which is controlled electronically, replaces the previous all-wheel drive with a viscous multiplate clutch. Depending on the car model, the new all-wheel Carrera features up to 8.5 percent more output, reduced fuel consumption and up to 15.4 percent lower CO_2 emissions. Similar to the two-wheel drive models, the new sports cars with four-wheel drive are equipped with a manual transmission with six gears or the new Porsche Doppelkupplungsgetriebe (PDK).

The styling highlight of the 911 Targa continues to be a 1.54 square meter glass roof. It can be opened or closed within seven seconds. When opened, the front glass roof slides under the glass tailgate. Opened completely, the opening spans about half a meter in length and uncovers an area of 0.45 square meters. The glass roof and tailgate are tinted for protection from the sun's UV rays and the summer heat.

The RS 60 Spyder evokes past triumphs on the racing track

The current Boxster series reached its peak in March 2008 with the market launch of the Boxster RS 60 Spyder. A limited edition of 1,960 cars will be built. Color, styling, equipment and philosophy evoke Porsche's motorsport era of the 1960s. Following numerous wins in its class, Porsche's Type 718 RS 60 Spyder was able to outperform competitors in the large displacement engine classes. In 1960, the race car drivers Hans Herrmann and Olivier Gendebien drove home the first ever overall victory in the legendary 12 Hours of Sebring race in Florida, USA.

The Boxster RS 60 Spyder builds on the momentum and purist philosophy of the successful mid-engined two-seater racing car. The distinctive GT silver metallic paintwork is consciously offset against the natural leather interior in carrera red and the red roof. The exclusive ambiance is accentuated by the premium features and equipment, a sporty gearshift lever, special trimmings on the center sections of the sports seats and on the door mirrors as well as on the steering wheel rim and handbrake lever. A sports exhaust system raises engine output to 303 hp (223 kW). Spacer plates enhance the impact of the 19-inch sport design wheels, while Porsche Active Suspension Management (PASM) delivers driving pleasure that is both sporty and comfortable.

The Boxster success story continues

Some twelve months since the start of the Boxster success story, the next generation of convertible mid-engined sports cars was presented to the public in November 2008. The engines are new designs that afford the series top standards in output and consumption.

The Boxster's engine has a larger displacement of 2.9 liters, raising output by ten hp to 255 hp (188 kW). Together with the six-gear manual transmission, the engine delivers improved driving performance combined with greater efficiency, which translates to reduced fuel consumption and lower CO_2 emissions.

The Boxster S is powered by a completely redesigned engine. With its displacement of 3.4 liters, the output has increased by 15 hp to 310 hp (228 kW), reinforcing the motorcar's position on the market. This is ensured by the first-ever use

of direct fuel injection in a Boxster S as well as the optional Porsche Doppelkupplungsgetriebe (PDK). The mechanically locking rear differential with asymmetrical locking factor can also optimize the driving dynamics further.

The new Cayman models have also been fully revamped. The Cayman generates an output of 265 hp (195 kW), and the Cayman S 320 hp (235 kW). Apron and rear design is leaner and more precise. Integrated in the external air intakes, the apron lights feature tube-shaped LED position lights and round fog lights. In the optional bi-xenon option with dynamic cornering lights, LED daytime running lights replace the fog lights. The rear appears broader and flatter with its elegant LED rear lights and the graceful elements around the tailpipe unit.

To afford Cayman and Cayman S an even greater sports appeal, the developers constructed an aerokit comprising lip spoilers for the series apron and a fixed rear spoiler. The front lip spoilers highlight the large air intakes in the front apron. The bi-plane rear spoiler stirs emotions before even starting the ignition. Optimized in the wind tunnel, the components improve the driving characteristics of the front and rear axles for greater driving stability.

The most powerful Cayenne yet
In summer 2008, the new premium model Cayenne Turbo S with an output of 550 hp (404 kW) strengthened the series. The wheel arches have been given a strong profile, making the car's appearance more dynamic. It is also clearly recognizable as a distinct model from the rear. This was mainly accomplished thanks to the sports exhaust system with four tailpipes.

The Turbo S is equipped with the Porsche Dynamic Chassis Control (PDCC) system as standard. It anticipates and significantly reduces lateral roll when cornering. This allows utmost agility at any speed, optimal steering response and stable load transfer characteristics. Like the sports car models, the Cayenne Turbo S is also equipped with the latest generation of Porsche Communication Management (PCM).

The Porsche Ceramic Composite Brake (PCCB) is optionally available for all eight-cylinder Cayenne models. This technology, which has been adopted from motorsport, affords greater resistance to thermal expansion, even in extreme conditions. The ceramic brake pads are also resistant to corrosion. Because the brake requires a much lower input, pedal response is fast and precise. The main advantage of the ceramic brake system lies in the extremely reduced weight of the pads: they only weigh half as much as cast-iron discs.

Porsche was at the starting line of the Transsyberia rally again in 2008. The Cayenne S Transsyberia had already demonstrated its outstanding off-road virtues at last year's rally. For the race in July 2008, Porsche optimized the small-series vehicle by improving its off-road characteristics and adjusting the chassis. The new version has been equipped with a more robust and redesigned underbody protection and greater ground clearance. The air

suspension struts and Porsche Dynamic Chassis Control (PDCC) were also readjusted. Like all Cayenne models, the Cayenne Transsyberia has permanent all-wheel drive Porsche Traction Management (PTM), a multiple-plate clutch that is electronically operated and controlled as well as a map-controlled longitudinal lock and differential lock on the rear axle. To boost its off-road capabilities, the Cayenne S Transsyberia was equipped with a transverse lock that is also included in the off-road technology package available for the series model.

High-voltage Cayenne
A focal point of development activities at Weissach is parallel full hybrid technology, which will initially be used in the Cayenne off-road series and later in the new Gran Turismo Panamera. This hybrid drive developed jointly with VW and Audi delivers a sports driving experience and is suitable for every-day use.

In the cutting-edge parallel full hybrid concept, the hybrid module is located between the Cayenne's transmission and the combustion engine to which it is connected using a decoupler. The electric motor can power the vehicle alone – for moderate acceleration – or in combination with the combustion engine. By selecting an operation mode that optimizes consumption it is possible to reduce urban consumption by up to 30 percent, ratcheting fuel consumption down below the nine-liter mark per 100 kilometers, an unparalleled achievement for a sports utility vehicle in its power class.

The combustion engine can be “switched off” at speeds below 120 km/h. This allows temporary emission-free driving and the ability to benefit from the hybrid vehicle's low fuel consumption on the motorway. At the same time, the system also raises the Cayenne's sports feel, since the electric motor can not only replace the combustion engine, it can also assist it for improved acceleration and flexibility.

The hybrid manager fine-tunes the complex interplay between combustion engine, electric motor and the battery module. This unit receives all pertinent driving information and optimally adjusts the power drives to the driving conditions. The hybrid manager is essentially a powerful processor that continually optimizes 20,000 parameters. By contrast, only 6,000 parameters are needed to manage a conventional engine. Despite its high effectiveness, the parallel full hybrid was initially considered unviable. The development engineers were faced with the challenge of ensuring the seamless interplay of the decoupler and the combustion engine, which is switched on and off by the hybrid manager depending on the driving conditions. Direct fuel injection assists the quick starts and stops needed for the combustion engine.

The battery performance is also remarkable. Comprising 240 cells, it weights 69 kilograms and is located in the spare-wheel recess without limiting load space. The battery is charged while driving by capturing the energy generated from braking or from the combustion engine. Since the battery should not be overheated during the charging and discharging phases, it is cooled to below 40°C. Furthermore, systems that would usually be dependent on the combustion engine – including the brake booster, power steering, air conditioning – are electrically powered.

Although the Cayenne Hybrid outweighs the conventional Cayenne with V6 engine by 150 kilograms, the environmentally friendly model is more efficient and agile. Soon to be launched on the market, the Panamera will also afford the advantages of parallel full hybrid technology based on a modular development system.

The Panamera testing program
The fourth model series, the Panamera, was in the final stage of development in the reporting year. The Gran Turismo will hit the streets in 2009. A large portion of activities at the Research and Development Center in Weissach were unquestionably dedicated to the Panamera. Numerous prototypes were tested and optimized to ensure that Porsche is in a position to offer outstanding quality from the start of production of the fourth series.

The engineers tested the Panamera both in the testing facilities in Weissach and on a wide variety of courses around the globe, driving in all imaginable climate and road conditions. Apart from the road tests, testing using computer simulations continued. And the results are quite remarkable. For instance, the car structure's characteristics are outstanding with regard to passive safety and compliance with legal provisions.

The current stage of development of the Panamera clearly indicates that, when launched, the new Gran Turismo will fulfill every desire as regards driving performance and consumption, comfort and sports feel, design and quality, spatial perception and premium interior ambiance.

Optimal management of laboratory data
Because Porsche's presence is expanding across an increasing number of countries and the biocomponents in fuels vary, the importance of analyzing fuels and oils is ever increasing in order to ensure optimal driving performance and the quality of motorcars. In a pioneering step among German carmakers, the Stuttgart manufacturer has implemented a laboratory information management system (LIMS) at the Research and Development Center in Weissach. This is an IT system that seamlessly models the entire process chain from the sample collection to data storage and retrieval.

In fiscal 2007/08, the chemists processed some 2,600 oil and fuel samples and collected some 60,000 individual data. These findings make an important contribution to engine development and testing work and provide information on wear and on the quality of the fuels used in cars around the world. In the one-year testing phase, the LIMS has demonstrated that it offers innovative possibilities for processing large data volumes efficiently. Besides improving the linkage and management of workflow in the laboratory, the system also allows data transfer to other units such as the Drive Information System (Antriebs-Informations System – AIS) used in engine development.

Income from industrial rights and licenses
To protect the valuable findings obtained from Porsche's research and development activities, the number industrial rights registered both for development projects and for production technology has again increased. Special attention was paid to innovations in the new generation of the 911 series, including the Porsche Doppelkupplungsgetriebe (PDK). Numerous industrial rights were also registered in Asia. Porsche maintains comprehensive patent monitoring activities for its development projects. Licensing income remains at a high level.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Motor Sports

The RS Spyder sports prototype used in the American Le Mans Series continued its unique series of wins. The racing variants of the 911 also ranked highly in Gran Turismo races.

Porsche is credited with being the world's largest racing car manufacturer. The Company expanded its involvement in motor sports in fiscal 2007/08, from club sport to racing with prototypes. A record 325 units were delivered to customer and partner teams for the 2008 season. Porsche supports these teams by constantly developing vehicles, dispatching specialists to tracks and employing eleven works drivers.

The Company's activities in this field give it valuable experience for the development of its series production vehicles. New technologies can be tested on race tracks under the most extreme conditions. Porsche's sports cars, particularly the prototype RS Spyder and the racing version of the 911, speed to victory in front of an audience of millions. With an international network of racing series, Porsche has set up a unique sports program for its customers.

RS Spyder races to hat trick

The RS Spyder sports prototype, designed in Weissach and used in the American Le Mans Series by the customer teams Penske Racing and Dyson Racing, caused an uproar at the world's top racing series in 2007. Works drivers not only came first in category "two" for Le Mans prototypes in eleven of twelve races, but were also able to beat the much more powerful category "one" prototypes in eight.

This enabled Porsche and Penske to defend the four championship medals won in 2006 against strong competition. Dyson Racing entered two RS Spyders for the first time in 2007, debuting in third and fourth place. The organizers of the American Le Mans Series reacted to this outstanding success by changing the rules for 2008. The minimum weight threshold was raised 25 kg to 800 kg.

Throughout the winter, the motor sports department continued to work on the RS Spyder, for example improving the engine while revamping the aerodynamics and the drive train. Their painstaking efforts bore fruit: Porsche and Penske Racing kicked off the 2008 season with a sensational double victory in the overall points table at the 12 Hours of Sebring race. In a strong starting field, the works drivers Timo Bernhard and Romain Dumas drove to four further victories in their class. The fast-moving duo made the podium a total of nine times, and successfully defended the drivers' championship. Eight Porsche drivers made it into the top ten. Porsche held on to the manufacturer's title for engine and chassis, while Penske Racing won the team competition for the third time.

The race for the hat trick was given a boost from the fifth race onwards by a new racing engine with direct fuel injection (DFI) raising output to 503 hp. DFI technology also significantly reduced fuel consumption. The engine represents new technological ground for Porsche, as no other direct fuel injection engine has ever had comparably high rpms. The engine is only cut off electronically at 11,000 revolutions. A range of synergies were exploited between the development of the racing engine and the direct fuel injection engines for Porsche's road vehicles.

Successful debut in Europe
After two very successful years in the US, the RS Spyder made an impressive debut in the European Le Mans Series in 2008. Three customer teams starting with one prototype each won in their class in all five 1000-kilometer races of the season.

With five best training times set by the former Formula 1 driver Jos Verstappen and four victories, the Dutch team Van Merksteijn Motorsport dominated the championship. By the penultimate race, Verstappen had secured the championship ahead of three other Porsche drivers. His team won the team competition ahead of the Danish Essex team, which had come first in the qualifying race at the high-speed track in Monza. Horag Racing from Switzerland filled the last of the top three positions. Porsche's first LMS season ended with a clear victory in the manufacturers' rankings.

The V8 version of the RS Spyder developed by Porsche not only proved to be unbeatably fast in both the American and European LMSs. The peerless fuel consumption of the racing engine also garnered special awards from the organizers of both championships.

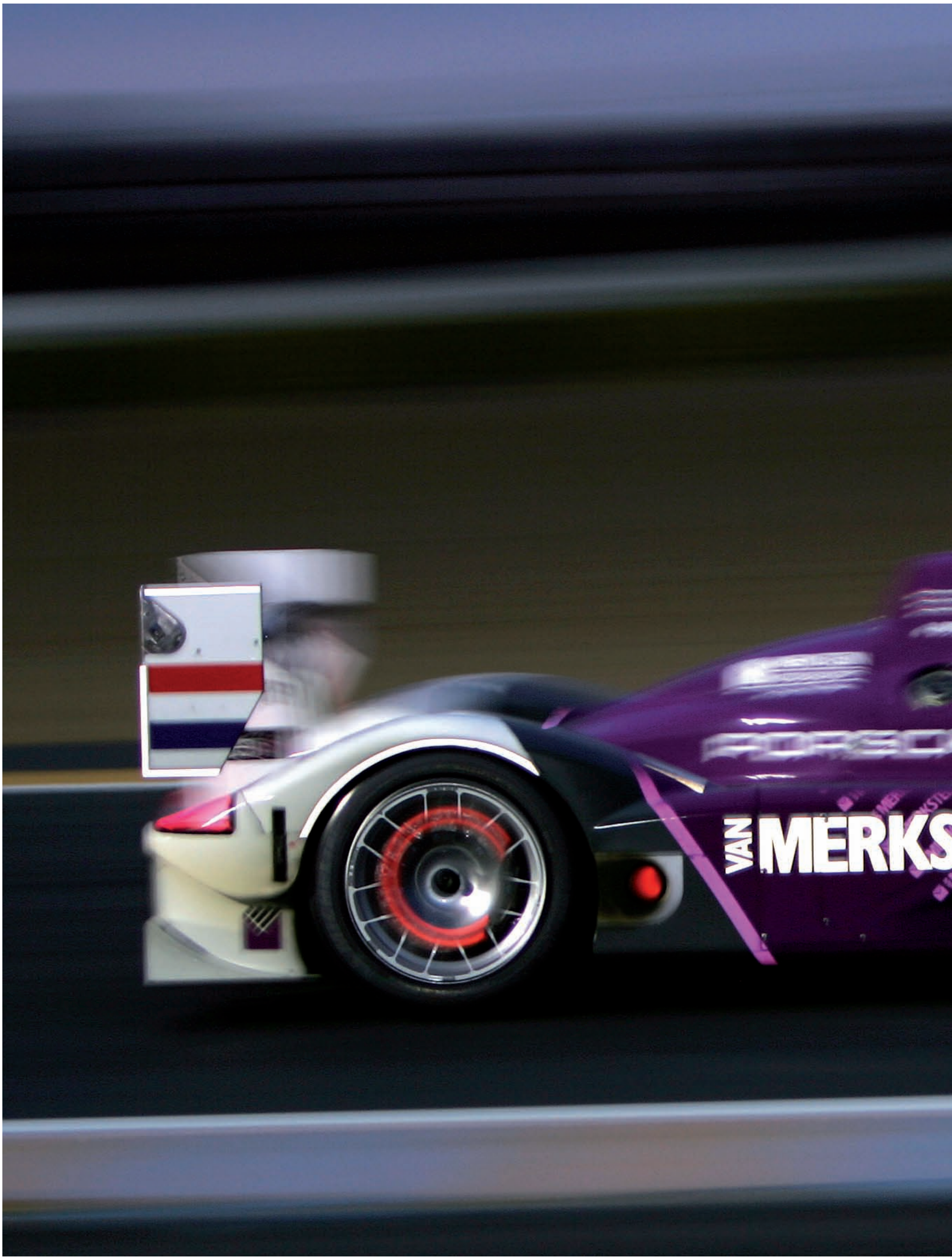
The RS Spyder's debut at the 24 Hours of Le Mans race met with accustomed success: In 2008, the sports car prototype from Weissach celebrated a double whammy in the LMP2 category at the most famous long-distance race in the world. Starting in first and second position, Van Merksteijn Motorsport and Essex Racing dominated the race from the very beginning. After a problem-free and flawless drive, Jos Verstappen, Jeroen Bleekemolen and Peter van Merksteijn finished first with an eight-lap lead over the second-placed RS Spyder driven by John Nielsen, Casper Elgaard and Porsche works driver Sascha Maassen. In achieving victory, the prototype also proved superior to the diesel-powered vehicles of the high-performance LMP1 category in terms of environmental friendliness, winning the "Michelin Energy Endurance Challenge Trophy".

911 shines in Gran Turismo Sport
The racing models of the 911 have been racking up the victories in Gran Turismo Sport for decades. In contrast to the sports prototypes, they have to be closely related to the series production vehicles. Customer teams entered the 911 GT3 RSR, with around 485 hp, the 911 GT3 Cup S with 440 hp and the 911 GT3 Cup with 420 hp in various classes and championships.

In 2008, Porsche customer teams won a place on the winners' podium at four of the five most famous long-distance races in the world, in part with factory support. The highlight was without doubt the triple victory at the 24-hour race on the Northern Loop of the Nürburgring. Works drivers Timo Bernhard, Romain Dumas and Marc Lieb, and the Manthey racing driver Marcel Tiemann ran rings round competitors with a 911 GT3 RSR belonging to the Manthey Racing Team. The third victory in a row for Porsche and Manthey Racing was rounded off by second place for the sister vehicle with a further 911 in third position.

The 911 GT3 RSR also proved unstoppable at the 12 Hours of Sebring race in Florida. The works drivers Jörg Bergmeister, Wolf Henzler and Marc Lieb increased Porsche's record on the US track to 65 class victories. Both the winners and the runners-up drove vehicles from the Flying Lizard Motorsports team.

Porsche drivers came out top in two classes at the 24-hour race on the Belgian Spa-Francorchamps track. Mühlner Motorsport Team, based in Spa, gained its third double victory in a row in the series-derived Gran Turismo class with a 911 GT3 Cup S. For the more radically modified sports cars, the works drivers Marc Lieb, Emmanuel Collard and Richard Westbrook came second after leading for a long time and having some bad luck.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After 24 hours at the historic Daytona track in Florida, second and third place went to the American "The Racers Group" team, supported by the works drivers Richard Westbrook, Emmanuel Collard and Romain Duras in the two 911 GT3 Cup vehicles.

In Le Mans of all places, where the 911 GT3 debuted at the 24-hour race in 1999 with a class victory before going on to remain unbeaten for the next seven years, the customer teams were beset by accidents and technical problems. The Felbermayr Proton Team behind works driver Wolf Henzler managed to claim fifth place. However, Porsche drivers nevertheless made their mark on the classic race in France. The American works driver and prior year champion Patrick Long drove the best time in training in the 911 GT3 RSR of the IMSA Performance Matmut Team, going under four minutes for the first time in the history of GT. During the race, works driver Jörg Bergmeister achieved the same feat for Flying Lizard Motorsports in a 911 GT3 RSR. This shows that in the absence of accident or repair, they would once again have been able to achieve victory in 2008.

The RS Spyder sports prototype once again headed the manufacturers', drivers' and team tables at the American Le Mans Series.

Masters of the competition
As was the case in the long-distance races, the cooperation between Porsche and professional customer teams proved key to success in the Gran Turismo championships. They certainly produced the goods in the GT2 class of the American Le Mans Series. The works drivers Jörg Bergmeister and Wolf Henzler headed the drivers' table with a 911 GT3 RSR belonging to the American Flying Lizard Motorsports Team. Porsche driver Patrick Pilet and the American Johannes van Overbeek ended the racing year in third place, also in a Flying Lizard 911. Porsche topped the manufacturers' rankings, while Flying Lizard Motorsports claimed the team competition.

With around 50 drivers in cars from eleven different manufacturers and brands, the SCCA Pro Racing Speed GT in the US ranked as one of the biggest championships for series-derived GT racing cars in 2008. This was won for the second time in a row by the American Porsche veteran Randy Pobst in a 911 GT3 Cup for the K-Pax Racing Team, after ten sprint races. Two other Porsche drivers made it into the top ten, with James Sofronas and Michael Galati in fourth and fifth place respectively.

Porsche customers also gave first-class performances with the 911 in the European Le Mans Series, where the Porsche works driver Marc Lieb came second after five 1,000-kilometer races in a GT3 RSR belonging to the private Felbermayr-Proton team. Lieb shared the cockpit of the 485 hp Porsche with the Australian Alex Davison.

In the FIA GT championship, works drivers Richard Westbrook and Emmanuel Collard reinforced the Belgian Prospeed Competition Team. After nine out of ten races, British driver Westbrook was in third place with a 911 GT3 RSR at the end of October despite strong competition, with the possibility of climbing to second. His French colleague is in fourth place.

The International GT Open, with 16 races in Spain and Italy, attracts top teams from throughout Europe. As the reigning champion, works driver Richard Lietz once again occupied the top spot at this prestigious championship as of the end of October after 14 of 16 races. The Austrian drives a 911 GT3 RSR for Autorlando Sport together with the Italian Gianluca Roda.

At home in Germany, the ADAC GT Masters saw more than 50 drivers start in Gran Turismo racing cars from nine different manufacturers and brands. After three victories and a total of seven podium positions in 14 races, Tim Bergmeister won the championship with a 911 GT3 Cup S of the Mühlner Motorsport Team.

Racing series gets drivers off to a flying start
In the year under review, Porsche expanded its unique system of racing series. 2008 saw the 420 hp, series-derived 911 GT3 Cup racing cars compete in 22 countries and four continents in the Porsche Mobil1-Supercup, as well as eight Carrera Cups and four GT3 Cup Challenges.

The Company provides the vehicles for all Porsche Cups, organizes the races and schedules them to take into account other top-level championships. In 2008, for example, a Porsche race was hosted at every Formula 1 World Championship race for the first time. The brand races not only serve as exceptional marketing tools or business platforms for participating customer teams. They also provide an opening and first challenge for up-and-coming professional racing drivers. This is shown by the fact that five of the eleven current Porsche works drivers made their way into the professional sport with a championship title in the Mobil1-Supercup or Carrera Cup.

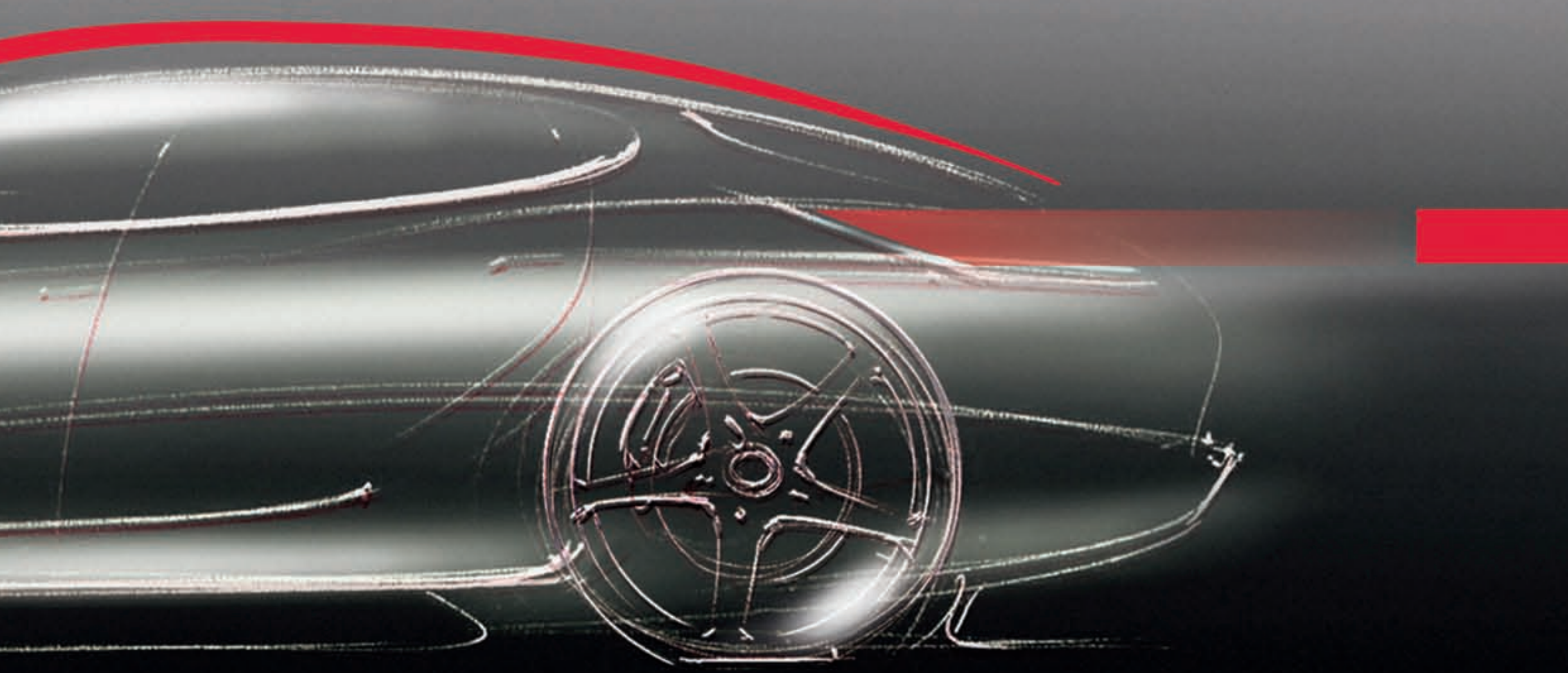
Cayenne ahead in the Transsyberia Rally
Porsche has won the Transsyberia Rally for the third time in a row. On 27 July 2008, after 14 days of competition, six Cayenne S Transsyberias were the first to cross the finish line of the toughest marathon rally for series-derived offroad vehicles. Nine Porsches were among the best ten vehicles.

The 7,000 kilometer route from Moscow through Siberia to Ulan Bator in Mongolia incorporated a range of special time trials alongside the traditional racing stages. These trials tested the mettle of both the drivers and the vehicles. The trials on a single day could sometimes be longer than the entire special trial distance of a race in the current rally world championship.

Victory on all tracks:
The Porsche GT3 Cup lined up at the starting grid of Brand Cup Races in 22 countries.
The Cayenne S Transsyberia was the first to cross the finishing line in the rally from Moscow to Ulan Bator.

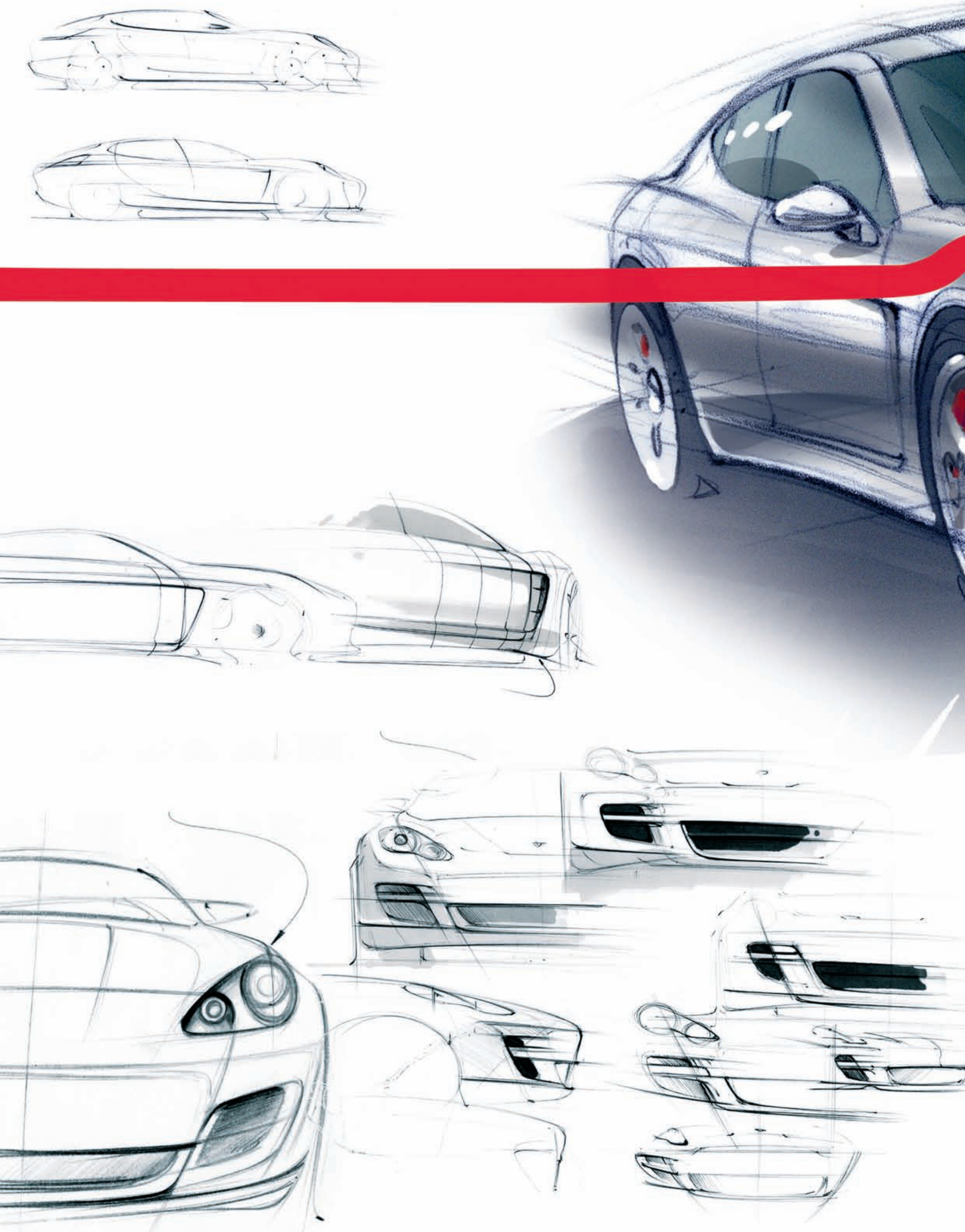
Panamera

The Fourth Dimension



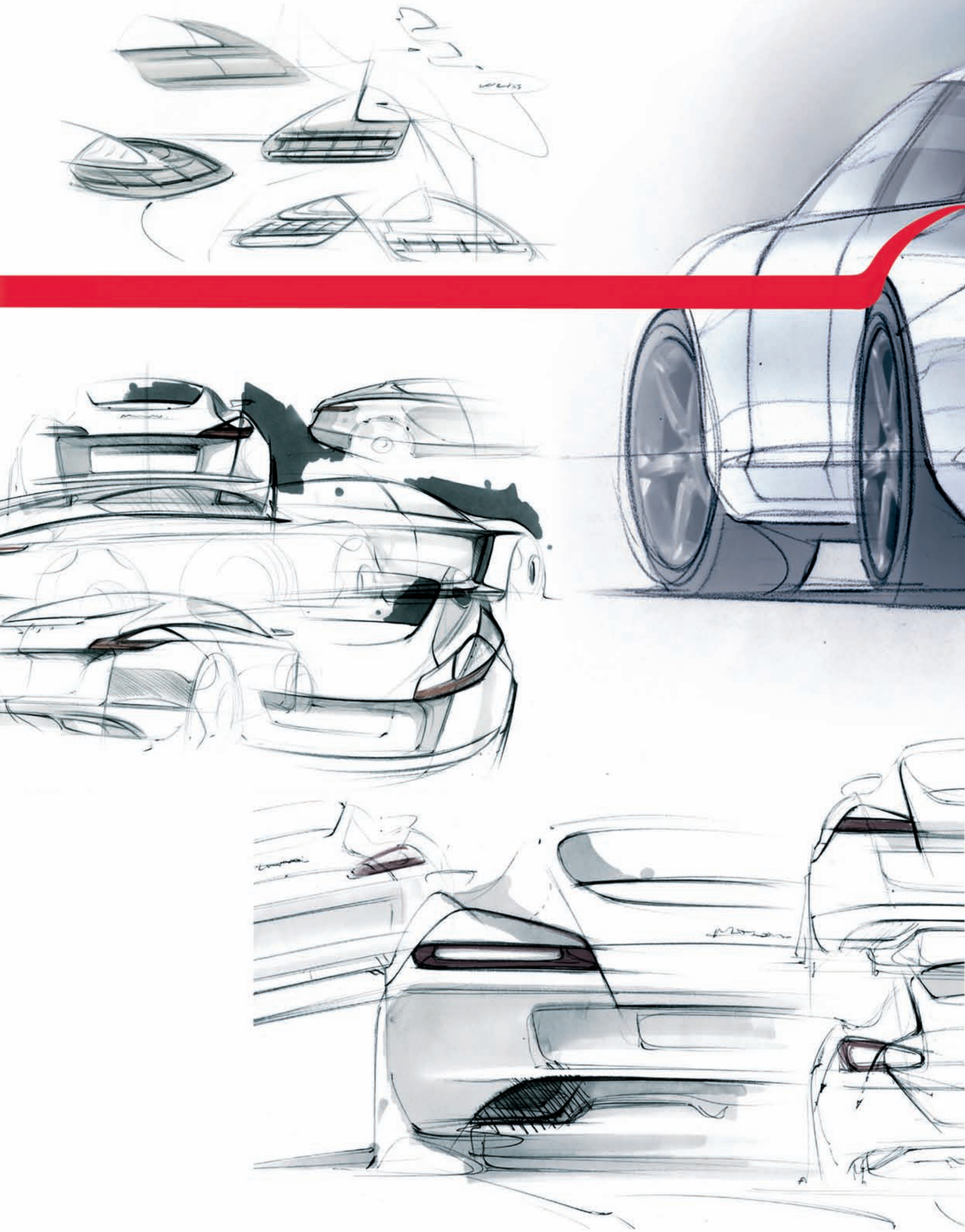
The Panamera has the typical proportions of a sports car

The front end is flat and tapered, the roof is low as it sweeps gracefully backwards. The rear form is typical Porsche with no visible trailing edge. The scultpture of the fenders emphasizes the powerful body.



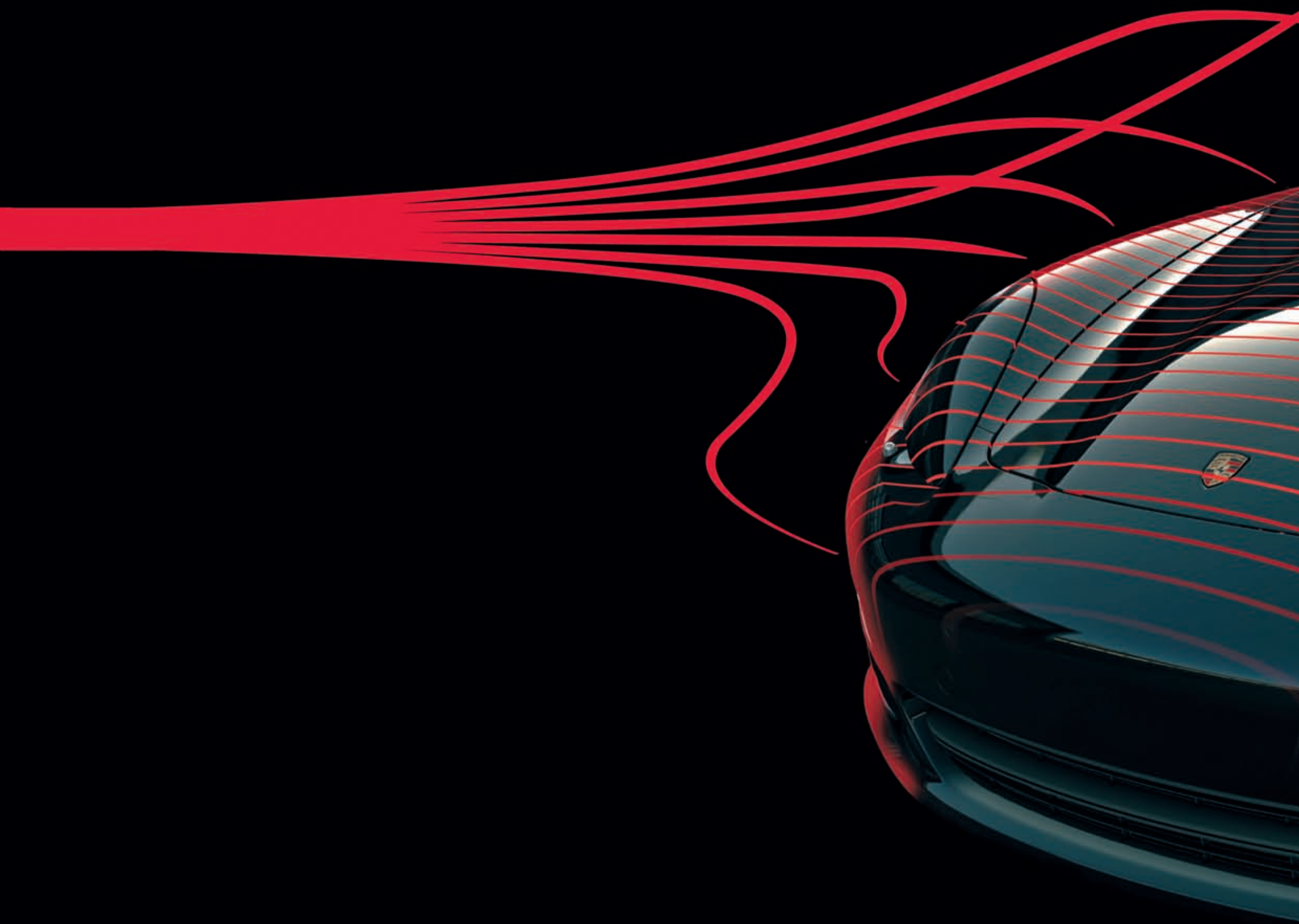
The Panamera is a thoroughbred Porsche

The typical design language with the flat hood and dominant fenders is complimented with tapering cut lines and striking headlights. Instead of a conventional radiator grille, the Panamera features a functionally optimized air intake which underscores the performance potential of the vehicle.



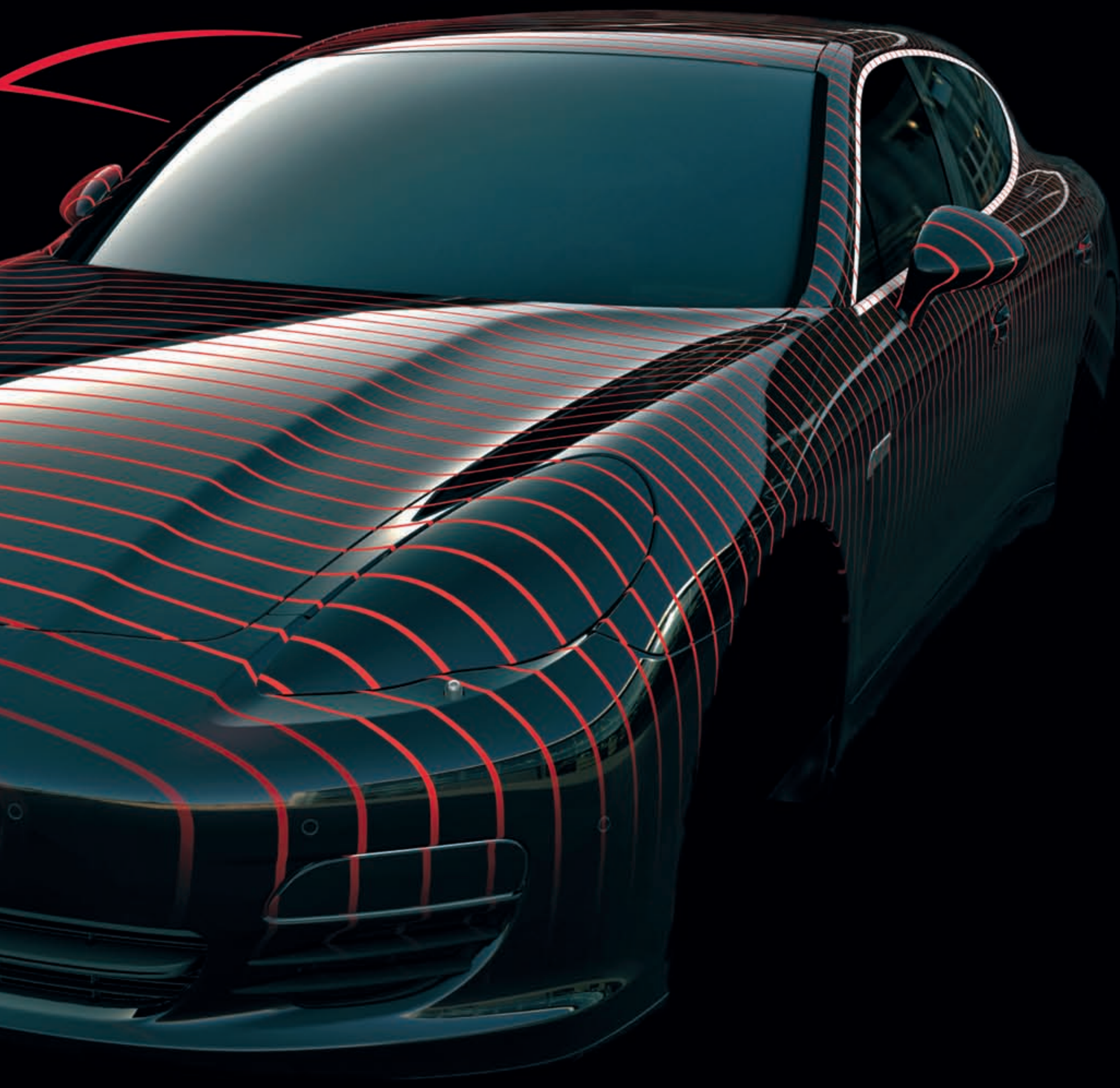
Ample space for four adults and luggage

The rear end form is unique in the top market segment. Looking at the tapering form of the passenger cabin, it is difficult to imagine the generous space inside the Panamera. Combined with the prominent fenders, these lines create the broad shoulders typical of Porsche.



The Panamera compliments the Porsche model range

The form of the Panamera is steeped in the Porsche design DNA, with these unique genes sending an unmistakable visual message that pervades all innovations: the Panamera is a true Porsche. The vehicle will further strengthen the Porsche marque in the premium segment.

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Consolidated financial statements as of 31 July 2008

Consolidated income statement of the Porsche Group for the period from 1 August 2007 to 31 July 2008

EUR000	Note	2007/08	2006/07
Revenue	[1]	**7,466,403**	7,367,876
Changes in inventories and own work capitalized	[2]	**311,285**	162,217
Total operating performance		**7,777,688**	7,530,093
Other operating income	[3]	**19,773,026**	7,264,416
Cost of materials	[4]	**– 4,169,561**	– 3,659,520
Employee benefits expense	[5]	**– 1,358,473**	– 1,264,325
Amortization and depreciation	[14], [15], [17]	**– 569,372**	– 531,712
Other operating expenses	[6]	**– 13,743,695**	– 4,600,099
Profit before finance revenue		**7,709,613**	4,738,853
Share of profit of associates	[7]	**1,007,266**	1,223,164
Finance costs	[8]	**– 548,308**	– 272,232
Other finance revenue	[9]	**400,429**	167,215
Finance revenue		**859,387**	1,118,147
Profit before tax		**8,569,000**	5,857,000
Income tax expense	[10]	**– 2,177,000**	– 1,615,000
Profit for the year		**6,392,000**	4,242,000
thereof profit attributable to minority interests	[11]	**13,561**	– 10,519
thereof profit attributable to hybrid capital investors	[12]	**87,810**	55,556
thereof profit attributable to shareholders of Porsche SE	[12]	**6,290,629**	4,196,963
Earnings per ordinary share (basic and diluted)	[12]	**35.94**	23.98
Earnings per preference share (basic and diluted)	[12]	**35.95**	23.99

Consolidated balance sheet of the Porsche Group as of 31 July 2008

	EUR000	Note	31/7/2008	31/7/2007
Assets	Intangible assets	[14]	**359,062**	263,526
	Property, plant and equipment	[15]	**1,668,365**	1,378,435
	Investment in associates	[16]	**8,129,849**	7,059,333
	Other financial assets	[16]	**63,722**	67,584
	Leased assets	[17]	**947,119**	990,979
	Trade receivables	[19]	**2,679**	20,772
	Receivables from financial services	[20]	**1,301,256**	1,321,635
	Other receivables and assets	[21]	**732,104**	285,662
	Income tax asset	[22]	**57,360**	63,598
	Securities	[23]	**1,020,716**	1,014,573
	Deferred tax assets	[10]	**94,657**	75,114
	Non-current assets		**14,376,889**	12,541,211
	Inventories	[18]	**757,004**	625,209
	Trade receivables	[19]	**264,775**	245,136
	Receivables from financial services	[20]	**471,845**	459,879
	Other receivables and assets	[21]	**19,299,524**	5,604,442
	Income tax asset	[22]	**34,522**	27,262
	Securities	[23]	**3,383,226**	1,419,185
	Cash and cash equivalents	[24]	**6,989,501**	2,410,066
	Current assets		**31,200,397**	10,791,179
			45,577,286	23,332,390
Equity and liabilities	Subscribed capital	[25]	**175,000**	45,500
	Capital reserves	[25]	**121,969**	121,969
	Retained earnings	[25]	**14,829,941**	8,545,785*
	Currency translation	[25]	**– 60,627**	– 42,205*
	Equity before minority interests	[25]	**15,066,283**	8,671,049
	Hybrid capital	[25]	**1,779,763**	809,977
	Equity		**16,846,046**	9,481,026
	Pension provisions	[26]	**776,553**	719,476
	Other provisions	[27]	**650,036**	624,234
	Deferred tax liabilities	[10]	**1,014,973**	612,826
	Financial liabilities	[28]	**3,488,699**	3,539,237
	Trade payables	[29]	**5,556**	7,480
	Other liabilities	[30]	**47,368**	67,007
	Non-current provisions and liabilities		**5,983,185**	5,570,260
	Tax provisions	[27]	**2,007,629**	896,643
	Other provisions	[27]	**1,190,200**	1,161,098
	Financial liabilities	[28]	**12,897,337**	3,010,024
	Trade payables	[29]	**581,318**	505,183
	Other liabilities	[30]	**6,071,571**	2,708,156
	Current provisions and liabilities		**22,748,055**	8,281,104
			45,577,286	23,332,390

* Adjusted: The translation differences from investment in associates were reclassified from retained earnings to currency translation.

Consolidated statement of cash flows of the Porsche Group for the period from 1 August 2007 to 31 July 2008

	EUR000	2007/08	2006/07
1. Operating activities	Profit after tax	**6,392,000**	4,242,000
	Amortization and depreciation	**569,372**	531,712
	Change in pension provisions	**59,265**	61,196
	Cash flow	**7,020,637**	4,834,908
	Change in tax provisions and other provisions	**1,177,693**	807,286
	Extended cash flow	**8,198,330**	5,642,194
	Change in deferred taxes	**236,456**	479,956
	Other non-cash expenses and income	**– 3,841,515**	– 2,917,150
	Gain/loss from disposal of intangible assets, property, plant and equipment and leased assets	**– 78,517**	– 78,594
	Dividend received from investment in associates	**160,411**	111,093
	Change in inventories, trade receivables and other assets	**– 12,497,372**	– 3,029,103
	Change in trade payables and and other liabilities (without tax provisions and other provisions)	**4,945,785**	1,686,288
	Cash flow from operating activities	**– 2,876,422**	1,894,684
2. Investing activities	Cash received from disposal of intangible assets, property, plant and equipment and leased assets	**416,923**	456,364
	Cash received from disposal of dealerships less cash and cash equivalents received	**11,211**	4,768
	Cash paid for investments in intangible assets, property, plant and equipment and leased assets	**– 1,358,104**	– 1,204,745
	Cash paid for investments in financial assets	**– 21,854**	– 2,676,450
	Cash paid for the acquisition of subsidiaries and dealerships less cash and cash equivalents received	**90,449**	0
	Change in receivables from financial services	**– 122,239**	– 132,314
	Cash flow from investing activities	**– 983,614**	– 3,552,377
	Change in investments in securities	**– 2,076,222**	317,210
	Cash flow from investing activities including investments in securities	**– 3,059,836**	– 3,235,167

	EUR000	2007/08	2006/07
3. Financing activities	Cash paid to shareholders	**– 384,475**	– 156,975
	Cash paid to minority interests	**– 1,260**	– 1,008
	Cash paid for loans	**– 2,131,833**	0
	Cash paid for bonds	**0**	– 303,192
	Cash paid to hybrid capital investors	**– 79,016**	– 56,077
	Cash paid for stock options	**– 410,865**	– 187,090
	Capital contributions	**958,810**	0
	Cash received for loans borrowed	**12,083,623**	2,034,902
	Cash received from stock options	**392,451**	321,951
	Cash received from other financial liabilities	**99,403**	115,672
	Cash flow from financing activities	**10,526,838**	1,768,183
4. Cash and cash equivalents	Change in cash and cash equivalents (subtotal of 1 to 3)	**4,590,580**	427,700
	Exchange-rate related change in cash and cash equivalents	**– 11,145**	– 6,184
	Cash and cash equivalents as of 1 August 2007 and 1 August 2006	**2,410,066**	1,988,550
	Cash and cash equivalents as of 31 July 2008 and 31 July 2007	**6,989,501**	2,410,066
Presentation of gross liquidity	Checks, cash on hand and bank balances	**6,989,501**	2,410,066
	Securities	**4,403,942**	2,433,758
	Gross liquidity	**11,393,443**	4,843,824

Explanatory notes on the cash flow statement are presented in note [13].

Statement of changes in equity of the Porsche Group for the period from 1 August 2007 to 31 July 2008

EUR000	Subscribed capital	Capital reserves	Retained earnings: Accumulated profit[1]	Retained earnings: Accum. other compreh. income: Securities marked to market	Retained earnings: Accum. other compreh. income: Cash flow hedges
As of 31 July 2006	45,500	121,969	4,288,995	699	113,006
Currency change			– 20,220		
Translation differences					
Investment in associates[1]			– 29,107	– 23,250	79,565
Financial instruments pursuant to IAS 39				26,260	131,316
Taxes recognized directly in equity				9,083	– 69,069
Income and expenses recognized directly in equity			– 49,327	12,093	141,812
Profit for the year			4,196,963		
Total income and expenses for the period			4,147,636	12,093	141,812
Profit attributable to hybrid capital investors					
Dividend payment[2]			– 156,975		
Put options of minority interests			1,608		
Deferred taxes on put options of minority interests			– 3,089		
As of 31 July 2007	45,500	121,969	8,278,175	12,792	254,818
Currency change			**– 68,231**		
Translation differences					
Investment in associates			**2,589**	**– 39,111**	**324,317**
Financial instruments pursuant to IAS 39				**– 50,431**	**584,759**
Taxes recognized directly in equity				**3,046**	**– 254,383**
Income and expenses recognized directly in equity			**– 65,642**	**– 86,496**	**654,693**
Profit for the year			**6,290,629**		
Total income and expenses for the period			**6,224,987**	**– 86,496**	**654,693**
Capital increase from corporate funds	**129,500**		**– 129,500**		
Borrowing of hybrid capital					
Cost of hybrid capital					
Profit attributable to hybrid capital investors					
Dividend payment[3]			**– 384,475**		
Put options of minority interests			**3,944**		
Deferred taxes on put options of minority interests			**1,003**		
As of 31 July 2008	**175,000**	**121,969**	**13,994,134**	**– 73,704**	**909,511**

1 The translation differences from investment in associates were reclassified from retained earnings to currency translation.

2 Distribution of a dividend of EUR 5.94 + EUR 3.00 per ordinary share; total EUR 78,225,000
Distribution of a dividend of EUR 6.00 + EUR 3.00 per preference share; total EUR 78,750,000

3 Distribution of a dividend of EUR 6.94 + EUR 15.00 per ordinary share; total EUR 191,975,000
Distribution of a dividend of EUR 7.00 + EUR 15.00 per preference share; total EUR 192,500,000

Currency translation[1]	Equity before minority interests	Hybrid capital	Minority interests	Group equity
– 42,179	4,527,990	809,977	0	5,337,967
	– 20,220			– 20,220
– 1,891	– 1,891		– 249	– 2,140
1,865	29,073			29,073
	157,576			157,576
	– 59,986			– 59,986
– 26	104,552	0	– 249	104,303
	4,196,963	55,556	– 10,519	4,242,000
– 26	4,301,515	55,556	– 10,768	4,346,303
	0	– 55,556		– 55,556
	– 156,975			– 156,975
	1,608		10,768	12,376
	– 3,089			– 3,089
– 42,205	8,671,049	809,977	0	9,481,026
	– 68,231			**– 68,231**
– 11,542	**– 11,542**		**– 274**	**– 11,816**
– 6,880	**280,915**			**280,915**
	534,328			**534,328**
	– 251,337	**10,976**		**– 240,361**
– 18,422	**484,133**	**10,976**	**– 274**	**494,835**
	6,290,629	**87,810**	**13,561**	**6,392,000**
– 18,422	**6,774,762**	**98,786**	**13,287**	**6,886,835**
	0			**0**
	0	**1,000,000**		**1,000,000**
	0	**– 41,190**		**– 41,190**
	0	**– 87,810**		**– 87,810**
	– 384,475			**– 384,475**
	3,944		**– 13,287**	**– 9,343**
	1,003			**1,003**
– 60,627	**15,066,283**	**1,779,763**	**0**	**16,846,046**

Notes to the consolidated financial statements of the Porsche Group as of 31 July 2008

Basis of presentation

Porsche Automobil Holding SE ("Porsche SE") is a European public limited liability company headquartered at Porscheplatz 1 in 70435 Stuttgart, Germany. The business objective of Porsche SE and its subsidiaries ("Porsche Group") is the production and sale of vehicles and engines of all kinds as well as of parts and components for such and other technical products. The business objective also includes the performance of development and design work, in particular in the field of vehicle and engine construction, consulting in the field of development and production as well as all other activities that are technically or economically related, including the exploitation of intellectual property rights. The Group also provides financial services consisting of financing and leasing business for customers and dealerships.

The financial statements of the Porsche SE as of 31 July 2008 were prepared in accordance with International Financial Reporting Standards (IFRS) 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 of the Porsche Group.

This version of the consolidated financial statements complies with the requirements of Sec. 315a HGB ["Handelsgesetzbuch": German Commercial Code]. It forms the legal basis for group accounting according to international accounting 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 accounting standards.

Porsche's fiscal year is the period from 1 August of a year until 31 July of the following year. The group currency is the euro. Unless stated otherwise, all figures in the notes are presented in thousands of euro (EUR k or EUR000).

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 20 October 2008.

Consolidated group

The consolidated financial statements of Porsche SE include all entities in which Porsche SE has the power to control the financial and operating policy, either directly or indirectly, so as to obtain benefits from its activities (control concept). First-time inclusion is as of the date on which the acquirer obtains the possibility of control. An entity is no longer included when control of the entity is lost.

The group of fully consolidated entities includes Porsche SE and 23 German (prior year: 21) and 62 international (prior year: 54) subsidiaries, including a special purpose securities fund.

The following companies founded in fiscal 2007/08 were consolidated for the first time: Porsche Central Eastern Europe s.r.o., Prague, Porsche Niederlassung Berlin GmbH, Berlin, Porsche Niederlassung Berlin-Potsdam GmbH, Berlin, Porsche Hong Kong Limited, Hong Kong, Porsche Holding Finance plc., Dublin, Porsche Schweiz AG, Zug, Porsche Financial Services Russland OOO, Moscow, Porsche Financial Services Schweiz AG, Zug/Steinhausen, and Mieschke Hofmann und Partner (Schweiz) AG, Zürich. These changes in the consolidated group are immaterial for the net assets, financial position and results of operations of the Group.

On 1 August 2007, the Group founded Porsche Niederlassung Berlin GmbH and Porsche Niederlassung Berlin-Potsdam GmbH and in addition to the branches acquired the two Berlin-based dealerships of the Eduard-Winter group effective 1 September 2007. On 31 July 2008, the Group also acquired Porsche (China) Motors Limited, Guangzhou, China as import organization via the subsidiary Porsche Hong Kong, 25% of which is held by minority shareholders. Considered in isolation, these changes are not material for the net assets, financial position and results of operations of the Group.

The acquisitions were accounted for using the purchase method. The earnings of Porsche Niederlassung Berlin GmbH and Porsche Niederlassung Berlin-Potsdam GmbH were considered n the consolidated financial statements for the period of 11 months since the acquisition date. The aggregated fair value of the identifiable assets and liabilities of the purchased Berlin-based dealerships and of Porsche (China) Motors Limited as at the date of acquisition are presented below:

EUR000	Fair value recognised on acquisition	Previous carrying amount
Order backlog	817	0
Customer base	2,099	0
Other intangible assets and property, plant and equipment	2,431	2,431
Inventories	73,984	73,984
Trade receivables	5,722	5,722
Other receivables and assets	4,910	4,910
Cash and cash equivalents	100,722	100,722
Deferred tax assets	416	416
	191,101	188,185
Tax provisions	130	130
Other provisions	3,152	3,152
Trade payables	59,606	59,606
Financial liabilities	8,056	8,056
Other liabilities	62,089	62,089
	133,033	133,033
Net assets	58,068	55,152
Excess of net assets acquired over cost	– 42,313	
Total cost	15,755	

The excess of net assets acquired of the identifiable assets, liabilities and contingent liabilities acquired over the cost of the acquisition of Porsche (China) Motors Limited of EUR 42,313 k recognized in other operating income mainly relates to the profit generated since the agreed date on which the purchase price was fixed until the prerequisites for purchase accounting were in place.

The acquisition cost is made up of a cash payment, an amount payable and the cost directly attributable to the acquisitions:

	EUR000
Cost	
Cash payment	9,922
Amount payable	5,482
Cost directly attributable to the acquisitions	351
Total	15,755
Cash flow on acquisition	
Net cash acquired with the subsidiaries	100,722
Cash paid	– 10,273
Net cash inflow	90,449

The acquisitions of the Berlin-based dealerships and Porsche (China) Motors Limited have contributed EUR 41,605 k to the Group profit since the date of acquisition. If the acquisition of the Berlin-based dealerships and Porsche (China) Motors Limited had taken place at the beginning of the year, the Group profit would have amounted to EUR 6,397,488 k and revenue to EUR 7,682,643 k.

The main companies whose financial and operating policy Porsche SE has the power to exercise significant influence, either directly or indirectly, (associates) or whose control it shares (joint ventures) are measured using the equity method.

Volkswagen AG has been included in the consolidated financial statements as an associate. Based on its shareholding, the following assets, liabilities, revenues and profits of the Volkswagen group are allocated to Porsche SE as of 31 July 2008:

EUR000	**2007/08**	2006/07
Non-current assets	**17,534,163**	17,536,593
Current assets	**17,252,062**	14,893,196
Non-current liabilities	**13,594,203**	13,520,247
Current liabilities	**13,241,060**	12,374,081
Revenue	**24,833,447**	24,346,507
Profit	**1,007,266**	702,406

The pro rata assets, liabilities, revenues and profits were determined using uniform group accounting and measurement methods, taking disclosed hidden reserves and burdens into account. The 200-day average market price of Volkswagen AG is around EUR 15,264 million (prior year: EUR 8,766 million) for the shares held by Porsche SE.

Betrandt AG, Ehningen is not included using the equity method 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 consolidated financial statements and group management report prepared as of 31 July 2008 as well as the full list of shareholders can be downloaded from the electronic version of the German business register at www.unternehmensrgister.de.

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

Consolidation principles

The financial statements of the subsidiaries are prepared as of the balance sheet date of the consolidated financial statements, which is the balance sheet date of Porsche SE. For associates, available information, i.e. the most recently audited financial statements and the published interim report as of 30 June, is used as a basis.

Capital consolidation is performed in accordance with the purchase method pursuant to IFRS 3 ("Business Combinations").

Purchased assets and liabilities are measured at their fair value on the date of acquisition. The purchase costs of the shares acquired are then offset against pro rata revalued equity of the subsidiary. Any remaining positive difference from offsetting the purchase price against the identified assets and liabilities is shown as goodwill under intangible assets.

To the extent that the purchase price 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 revalued and posted immediately to profit or loss in the year of acquisition.

Expenses and income as well as receivables, liabilities and provisions between the consolidated entities are offset. Intercompany profits from the disposal of assets within the group which have not yet been resold to third parties are eliminated. Deferred taxes are recognized for consolidation entries with effect on income taxes. In addition, guarantees and warranties assumed by Porsche SE or one of its consolidated subsidiaries in favor of other subsidiaries are eliminated. When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortized goodwill is recognized in profit or loss.

Investment in associates included using the equity method is carried at cost at the time of first-time consolidation. The rulings for full consolidation apply by analogy to the measurement using the equity method. In subsequent periods, the carrying amount is rolled forward to reflect changes in equity of the associate on the Porsche Group. An impairment test is carried out if there is any indication that that investment is impaired. At least once a year, the Company checks whether there is any indication that the reason for an impairment no longer exists or an impairment amount has decreased. In this case, the recoverable amount is recalculated and the previous impairment reversed.

Due to immateriality, the Company elects not to eliminate intercompany profits from trade relations with associates.

Currency translation

The financial statements of consolidated subsidiaries prepared in foreign currency are translated to the euro in accordance with IAS 21.

The functional currency is the local currency for all consolidated entities, since these subsidiaries are independent operations from a financial, economic and organizational perspective.

Assets, liabilities and contingent liabilities are translated at the mean rate as of the balance sheet date, while equity is translated at historical rates with the exception of income and expenses recorded directly in equity. The income statement is translated using average annual exchange rates. Exchange rate differences resulting from the translation of financial statements are recognized as a separate item directly under equity until the disposal of the subsidiary.

Goodwill and adjustments of assets and liabilities from business combinations are recorded in the functional currency of the subsidiary.

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

		Closing rate		Average rate	
		31/7/2008	31/7/2007	**2007/08**	2006/07
Australia	AUD	**1.6562**	1.5961	**1.6450**	1.6525
Canada	CAD	**1.6090**	1.4587	**1.4986**	1.4793
China	CNY	**10.7217**	10.3500	**10.7253**	10.2243
Hong Kong	HKD	**12.2412**	10.7108	**11.6000**	10.2503
Japan	JPY	**168.8800**	163.5900	**161.8668**	156.4703
Russia	RUB	**36.6501**	35.0136	**36.1415**	34.5099
Switzerland	CHF	**1.6338**	1.6516	**1.6266**	1.6158
United Kingdom	GBP	**0.7886**	0.6749	**0.7446**	0.6744
USA	USD	**1.5684**	1.3707	**1.4886**	1.3140

Foreign currency items in the financial statements of the entities included in consolidation are measured at the historical rates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. 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 rates at 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.

Accounting principles and measurement

The assets and liabilities of Porsche SE and the German and foreign subsidiaries included by way of full consolidation are recognized and measured uniformly according to the recognition and measurement methods applicable in the Porsche Group. The comparative information for fiscal year 2006/07 is based on the same recognition and measurement methods that were applicable for the fiscal year 2007/08.

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

Intangible assets

Patents, software, licenses and similar rights are recognized at cost pursuant to IAS 38 and amortized over their useful life on a straight-line basis, unless they are impaired. The useful life generally ranges from three to five years. Changes in useful lives are treated like changes in estimates. In addition, residual values and the depreciation methods are checked at the end of the fiscal year and adjusted if necessary.

Development costs are recognized for vehicles provided that clear allocation of expenses is possible and all the other criteria of IAS 38 are met. The recognized development costs include all production overheads directly attributable to the development process that are incurred as of the time at which all recognition criteria are met. Recognized development costs are amortized from the production start using the straight-line method over the expected product life cycle of usually six years. Research and non-capitalizable development costs are expensed as incurred.

Goodwill is not amortized systematically. Rather, each asset or cash generating unit is tested at least once a year for impairment. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment is still justified. If not, the change in the useful life assessment from indefinite to finite is made prospectively.

Property, plant and equipment

Property, plant and equipment are measured at cost less depreciation over the useful life of the assets as well as impairment losses. Costs for repairs and maintenance are recognized as current expenses. Systematic depreciation, mainly using the straight-line and unit of production methods of depreciation, reflects the pattern in which the asset’s future economic benefits are expected to be consumed by the entity. Special tools and equipment are depreciated according to units of production. For plants used in shift operation, depreciation is increased by an additional allowance for shifts.

Systematic depreciation is mostly based on the following useful lives:

	Years
Office and factory equipment	25 to 40
Technical equipment and machines	7 to 20
Other equipment, furniture and fixtures	3 to 13

Residual values, methods of depreciation and useful lives are reviewed, and adjusted if appropriate, at each fiscal year end. Self-constructed items of property, plant and equipment are recognized at cost of conversion. In addition to directly allocable costs, they include a proportionate share of production-related overheads.

Leases

Whether an arrangement is, or contains a lease, is determined on the basis of the economic substance of the arrangement at inception date, which involves appraising 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. This is only reassessed after the inception of the lease under the conditions set forth in IFRIC 4.

Leases where the Group does not transfer to the lessee substantially all the risks and rewards incidental to ownership of the asset are classified as operating leases and recognized accordingly.

Assets leased under operating leases are accounted for in non-current assets. Most of the operating leases are for vehicles leased from the Company's own leasing companies. They are recognized at cost and written off on a straight-line basis over the term of the lease to the lower of estimated residual value or market value.

Should group companies act as lessee, lease or rental payments are reported directly as expenses in the income statement.

Leases under which all the opportunities and risks associated with ownership are transferred, on the other hand, are classified as finance leases.

When using items of property, plant and equipment as lessee under a finance lease, the assets are recognized at cost or the lower present value of the minimum lease payments and are depreciated on a straight-line basis over the economic useful life or the term of the lease, if shorter. Payment obligations resulting from lease installments are discounted and recorded as a liability.

Should group companies act as lessor under finance leases, receivables are initially recognized at an amount equivalent to the net investment value.

Borrowing cost

Borrowing cost is not disclosed as part of acquisition cost. Interest and other borrowing costs are expensed in the same period in which they are incurred.

Impairment test

An impairment test is performed at least once a year for goodwill and indefinitely lived intangible assets, but for other intangible assets with finite useful lives as well as property, plant and equipment only when there is an indication that the asset may be impaired.

If the net realizable amount of the asset falls short of the carrying amount, an impairment loss is recognized. The recoverable amount is generally estimated on an item-by-item basis. If this is not possible, the recoverable amount is determined on the basis of a group of assets which constitute a cash-generating unit. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

The recoverable amount is the amount obtainable from the sale of an asset in an arm's length transaction less the costs necessary to make the sale. 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 the whether goodwill and indefinitely lived intangible assets are impaired, the Porsche Group generally uses the useful life of the cash generating unit concerned based on management's current planning. The detailed planning covers a period of three years.

Plausible assumptions about future developments are made for subsequent years. The planning premises are adjusted to reflect the current information available taking assumptions on macroeconomic trends as well as historical developments into account.

When determining the cash flow, the anticipated growth rates of the automotive markets concerned are taken as a basis.

When determining the value in use in the course of the impairment test for intangible assets, we use a market-oriented discount rate for similar risks of 9.1% (prior year: 8.85% to 10%).

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

Other receivables and financial assets

Other receivables and financial assets (with the exception of derivative financial instruments) are stated at amortized cost. Appropriate allowance is made for known individual risks and general credit risks.

Inventories

Inventories include materials and supplies as well as work in process and finished goods. Inventories are stated at the lower of cost or net realizable value as of the balance sheet date.

In addition to direct costs, costs of conversion include an appropriate portion of necessary materials and production overheads as well as production-related depreciation, administrative and social security 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 have fallen on balance sheet date due to a drop in prices, inventories are written down accordingly.

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

Long-term construction contracts

Future receivables from long-term construction contracts are recognized according to the percentage of completion method. The percentage of completion per contract to be recognized is calculated by comparing the accumulated costs with the total costs expected ("cost-to-cost" method). If the result of a construction contract cannot be determined reliably, income is only recognized at the amount of the contract costs incurred ("zero profit method"). If the total of accumulated contract costs and reported profits exceeds advance payments received, the construction contracts are recognized as an asset as future receivables from long-term construction contracts under trade receivables. Any negative balance is reported under trade payables. The principle of valuing assets at net realizable value is observed.

Financial instruments

Pursuant 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, the settlement date is authoritative for initial recognition. Initial measurement of a financial instrument is at cost. Transaction costs are included. 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)
– 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 amortised 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 actuarial methods such as recognized option price models or discounting future cash flows with the market interest rate and by confirmations from the banks processing the transactions. Amortized cost corresponds to costs of purchase less redemption, impairment losses and the reversal of any difference between costs of purchase and the amount repayable upon maturity in accordance with the effective interest method. Financial instruments are recognized as soon as Porsche becomes a party to the financial instrument. They are generally derecognized when the contractual right to cash flow expires or this right is transferred to a third party.

Primary financial instruments
Financial instruments which are recognized at fair value contain securities in the held-for-trading category and financial assets which are initially recognized as financial assets at fair value through profit or loss. Gains and losses from subsequent measurement are recognized in the net profit or loss. Financial instruments classified upon initial recognition at fair value through profit or loss include hybrid securities, index and discount certificates.

Financial instruments which are held to maturity are accounted for at cost. Gains and losses from subsequent measurement are recognized in net profit or loss.

Financial instruments categorized as available for sale are measured at fair value. Unrealized gains and losses from subsequent measurement are recognized in equity after considering deferred taxes until the investment is disposed of or an objective impairment occurs. Equity investments disclosed as financial assets and not measured at equity also constitute available-for-sale investments and are measured at fair value. If no active market exists and fair value cannot reasonably be expected to be determined, they are measured at cost.

Financial assets are subjected to an impairment test if there is an indication that the value of the asset may be permanently impaired. An impairment loss is immediately recorded as an expense. Any loss previously recorded in equity for available-for-sale investments is then also posted to the income statement. Any increase in value at a later date is accounted for debt instruments by reversal of the impairment loss through profit or loss.

Loans issued by the entity and receivables, held-to-maturity investments and financial liabilities are measured at amortized cost unless they are associated with hedging instruments. In particular, these include trade receivables and payables, receivables from financial services, other financial receivables and assets, held-to-maturity investments, financial liabilities and other liabilities. The liabilities which constitute financial instruments within the meaning of IAS 39 are disclosed at fair value or amortized cost. The bonds issued in the course of private placements in 2004 and the financial liabilities which are associated with fair value hedge accounting are accounted for at fair value; all other liabilities as defined by IAS 39 are carried at amortized cost. The liabilities from finance leases which are also disclosed under financial liabilities are recognized at present value in accordance with IAS 17.

Derivative financial instruments

Derivative financial instruments in the Porsche Group primarily relate to forward exchange contracts and foreign currency options, interest derivatives, stock options and stock price hedge options. They are used to hedge interest and currency risks from existing balance sheet items or highly probable future transactions as well as to obtain liquidity at short notice. Derivative financial instruments are generally valued at fair value through profit or loss. When the criteria of IAS 39 for hedge accounting are satisfied, the hedges are designated from then on either as fair value or cash flow hedges.

A fair value hedge is used to hedge the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment. Gains or losses from remeasuring derivative instruments and the associated hedged items at fair value are recognized in profit or loss.

A cash flow hedge is used to hedge a highly probable forecast transaction. Foreign currency option contracts 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 value are recorded directly in accumulated other comprehensive income taking deferred taxes into account. When the underlying transaction is concluded, the change in value is reclassified from accumulated other comprehensive income to profit or loss.

Deferred taxes

Deferred tax assets are generally recorded for deductible temporary differences between the carrying amounts in the tax accounts and the consolidated balance sheet, on unused tax losses and tax credits if it is likely that they will be used. Deferred tax liabilities have to be recorded for all temporary differences between the carrying amounts in the tax accounts and the consolidated balance sheet.

Valuation allowances are recorded on deferred tax assets whose realization in the foreseeable future is not likely. 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 referring to items recorded directly in equity are disclosed in equity. Deferred tax assets and deferred income 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 tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Adequate provision was made for future possible tax obligations, where discernable, considering a large number of factors such as the interpretation, commentary and court rulings 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.

Hybrid capital

Based on the bond conditions of the hybrid capital issued, this is accounted for as an equity component of the Group in accordance with IAS 32. This means that the deductible interest is not disclosed under interest expenses but treated like a dividend obligation to the shareholders. Any capital procurement costs are deducted directly from the hybrid capital taking tax effects into account.

Pension provisions

In accordance with IAS 19, provisions for pension obligations for defined benefit plans are measured for actuarial purposes using the prescribed projected unit credit method. This method considers not only the pensions and future claims known on the balance sheet date but also future anticipated increases in salaries and pensions. If pension obligations are reinsured using plan assets they are disclosed net. The calculation is based on actuarial opinions taking account of biometric assumptions. The Company uses the corridor rule to measure the pension commitments and determine the pension expenses. Actuarial gains and losses are not taken into account provided they do not exceed ten percent of the commitment or ten percent of the fair value of the existing plan assets. From the following fiscal year, the amount in excess of the corridor is distributed over the average residual service period of the active workforce and recognized. Past service cost is recognized on a straight-line basis over the average period until the benefits become vested. If 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 disclosed in personnel expenses while the interest portion of the addition to the provision and income from plan assets is recorded 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 on 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 set up taking account of the past or estimated future claims pattern. Non-current provisions are stated at their settlement amount discounted to balance sheet date. The settlement amount 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.

Liabilites
Non-current liabilities are carried at amortized cost in the balance sheet. Differences between their historical cost and their settlement 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 is transferred to the buyer. Revenue is reported net of discounts, customer bonuses and rebates.

Proceeds from assets for which a group entity has a buy-back agreement cannot be realized until the assets have finally left the Group. Until then, it is accounted for in the inventories.

In the case of long-term construction costs income is recognized in accordance with the percentage of completion. Interest income is recognized as 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 non-capitalizable development costs.

Provisions for warranty claims are recognized at the time of sale of the products. Interest expenses incurred for financial services are disclosed under 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.

Discontinued operations pursuant to IFRS 5

Discontinued operations which are removed from the consolidated group are disclosed separately in accordance with IFRS 5. Expenses and income arising prior to deconsolidation and the gain on sale are disclosed separately in the income statement as assets allocated to discontinued operations. The prior-year figures of the income statement are adjusted accordingly.

Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements is to a certain extent subject to assumptions and estimates that have an effect on recognition, measurement and disclosure of assets, liabilities, income and expenses as well as contingent assets and liabilities. Significant assumptions and estimates are made for uniform useful lives within the Group and the recoverable amounts recognized for non-current assets, the classification of leases as operating and finance leases, the determination of the need to record or reverse impairments at associates, the recoverability of receivables, determination of the percentage of completion for long-term construction contracts and the recognition and measurement of provisions. In individual cases, actual amounts may differ from the estimates. The carrying amounts of the assets and liabilities affected by estimates can be gathered from the breakdowns of the individual balance sheet items.

The assumptions and estimates are based on parameters which are derived from the current knowledge at the time. In particular, the circumstances prevailing at the time of preparing the consolidated financial statements and assumptions as to the realistic future development of the global and industry environment were used to estimate the Company's future business performance. Where these conditions develop differently than assumed, and beyond the control of management, the actual figures 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.

At the time of preparing the consolidated financial statements, the underlying assumptions and estimates were not subject to any significant risks. Consequently, as things stand today, a significant adjustment is not expected in the assets and liabilities disclosed in the consolidated financial statements for the next fiscal year.

Termination rights of minority interests

In cases where minority shareholders have termination rights, a liability is recognized equivalent to the compensation obligation and the difference between the liability from the termination right and the pro rata equity of the minority shareholder is recorded directly in equity. Dividend payments to minority shareholders are recorded as a repayment of the compensation obligation. Deferred taxes are recorded on temporary differences for partnerships between the IFRS balance sheet and the tax accounts.

New Accounting Standards

a) The Group has adopted the following new and amended IFRS and interpretations during the fiscal year for the first time. Adoption of these interpretations had the following effect on the consolidated financial statements:

IFRS 7 “Financial Instruments: Disclosures”
IFRS 7 governs the disclosure requirements for financial instruments for industrial entities as well as banks and similar financial institutions. IFRS 7 replaces IAS 30 “Disclosures in the Financial Statements of Banks and Similar Financial Institutions” as well as the disclosure requirements contained in IAS 32 “Financial Instruments: Disclosure and Presentation”. This standard requires extensive additional disclosures in the notes on the financial instruments of the Porsche Group.

Amendment to IAS 1 “Presentation of Financial Statements”
These changes require new disclosures on the capital management of the Porsche Group.

b) The following new or revised standards and interpretations which have been adopted for first time had no or no material effect on the consolidated financial statements:

IFRIC 10 “Interim Financial Reporting and Impairment”
This interpretation stipulates that an impairment of goodwill or certain financial instruments charged in the financial statements of past interim financial statements cannot be reversed in later annual financial statements.

IFRIC 11 “Group and Treasury Share Transactions”
This interpretation clarifies how group share-based payments are accounted for and treated.

c) The following standards and interpretations which have been published but whose adoption is not yet mandatory or applicable in the EU have not yet been adopted:

Revision of IFRS 1 “First-Time Adoption of International Financial Reporting Standards” and IAS 27 “Consolidated and Separate Financial Statements”
The standards regulate simplifications for the measurement of investments in separate financial statements to be prepared according to IFRSs for the first time. The amendments are applicable for fiscal years beginning on or after 1 July 2009.

Amendments to IFRS 2 “Share-based Payment”
The amendment clarifies that only service and performance conditions constitute vesting conditions. The amendment also provides that the rulings on premature termination apply regardless of whether the share-based payment plan is terminated by the company or another party. The amendment is applicable for fiscal years beginning on or after 1 January 2009.

Revision of IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements”
Revised versions of IFRS 3 and IAS 27 were published in January 2008. This concluded the “Business Combinations II” project commenced in November 2001, which the IASB carried out in close cooperation with the US American standard setter. The main changes involved a comprehensive revision of the use of the purchase method. The revised standards are to be applied to fiscal years beginning on or after 1 July 2009.

IFRS 8 "Operating Segments"
IFRS 8 regulates the financial information which an entity has to present about its operating segments in its reporting. IFRS 8 replaces IAS 14 “Segment Reporting”, applies the rulings SFAS 131 “Disclosures about Segments of an Enterprise and related Information” with a few exceptions and has to be adopted for the first time in fiscal years beginning on or after 1 January 2009.

Revision of IAS 1 “Presentation of Financial Statements”
A revised version of IAS 1 was published in September 2007. The main changes relate to the changed presentation of changes in equity resulting from transactions with the owners and other changes as well as changes in the titles of some components of the financial statements. The standard is effective for fiscal years beginning on or after 1 January 2009.

Amendment to IAS 23 “Borrowing Costs”
The amendment requires the recognition of borrowing costs which can be allocated directly to the purchase, construction or manufacture of a qualifying asset. The option for the immediate recognition in profit or loss has thus been abolished. The amendment is applicable for fiscal years beginning on or after 1 January 2009.

IAS 28 “Accounting for Investments in Associates”
Amendments to IAS 23 “Accounting for Investments in Associates” by IAS 1 “Presentation of Financial Statements" (amended 2007) and IAS 27 "Consolidated and Separate Financial Statements" (amended 2008) have to be applied simultaneously.

Amendment to IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements”
The change mainly refers to the conditions for the classification of cancellable instruments as equity or debt capital. As a rule, the amended version is designed to allow German partnerships to classify their partnership capital as equity in the IFRS financial statements. The amendment is applicable for fiscal years beginning on or after 1 January 2009.

Amendments to IAS 39, “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”
The amendments allow companies to reclassify certain financial instruments from the at fair value through profit or loss category to another category in which they are measured at amortized cost taking impairments into account. This amendment can be applied retroactively from 1 July 2008.

Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”
This amendment specifies how the principles contained in IAS 39 are to be applied for the hedge accounting in two specific situations. These are the unilateral risk with reference to a hedged transaction (e.g. the risk of changes in the fair value or cash flows above or below a fixed price or another variable) and the risk of inflation in a financially hedged transaction. This supplement is effective for fiscal years beginning on or after 1 January 2009.

IFRIC 12 “Service Commission Arrangements”
IFRIC Interpretation 12 gives guidance on how operators under service concession agreement have to apply IFRS in order to recognize the obligations entered into and the rights received under these agreements. IFRIC Interpretation 12 is mandatory for the first time for fiscal years beginning on or after 1 January 2008.

IFRIC 13 “Customer Loyalty Programmes”
IFRIC 13 regulates the accounting of customer bonus programs which are run by manufacturers or service providers themselves or by third parties. IFRIC 13 is effective 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 rulings in IAS 19 on the upper limit of a positive balance between plan assets and the defined benefit obligation (asset ceiling). IFRIC 14 is effective for fiscal years beginning on or after 1 January 2008.

IFRIC 15 “Agreements for the Construction of Real Estate”
IFRIC 15 regulates the accounting of real estate sales where a contract is concluded with the purchaser before the construction work is completed. The interpretation first clarifies the prerequisites for applying IAS 11 and IAS 18. The recognition of revenues is also regulated as are the disclosures in the notes. IFRIC 15 is effective for fiscal years beginning on or after 1 January 2009.

IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”
IFRIC 16 answers uncertain points relating to the hedging of a foreign operation. The issues addressed include:
- What is the nature of the risk being hedged?
- What is the maximum amount of the hedged item?
- Where in a group can the hedging instrument be held?
- How is the disposal of the foreign operation accounted for?

IFRIC 16 is effective for reporting periods beginning on or after 1 October 2008.

Annual amendment process
In the course of the annual amendment process, a series of clarifications for the individual standards were enacted on 22 May 2008.

Besides the segment reporting and the reclassification of parts of the financial statements, these new accounting principles are not currently expected to have a major effect on future consolidated financial statements. As a rule, the Porsche Group does not implement new standards and interpretations or amendments to existing standards until they are mandatory.

Notes to the consolidated income statement

[1] Revenue
Revenue breaks down by division as follows:

EUR000	2007/08	2006/07
Divisions		
Vehicles	**6,232,055**	6,214,192
Parts and accessories	**516,144**	486,490
Other	**718,204**	667,194
of which revenue from credit financing	**35,872**	117,198
of which revenue from lease installments	**346,631**	226,117
	7,466,403	7,367,876

The breakdown of revenue by geographical segment and business division can be seen under 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:

EUR000	2007/08	2006/07
Stock price hedge	**19,256,284**	6,926,751
Income from the reversal of impairments and provisions	**157,214**	72,988
Exchange rate gains	**2,973**	7,090
Sundry operating income	**356,555**	257,587
	19,773,026	7,264,416

Income from stock price hedges mainly results from stock options and equity forward transactions.

[4] Cost of materials

EUR000	2007/08	2006/07
Cost of materials and supplies and of purchased merchandise	**3,524,419**	3,128,438
Cost of purchased services	**645,142**	531,082
	4,169,561	3,659,520

The cost of purchased services contains interest expenses from financial services transactions of EUR 92,377 k (prior year: EUR 90,958 k).

[5] Employee benefits expense

EUR000	2007/08	2006/07
Wages and salaries	**1,207,502**	1,105,349
Social security, pension and other benefit costs	**150,971**	158,976
	1,358,473	1,264,325
Employees (annual average)		
Wage earners	**4,081**	4,013
Salaried employees	**7,532**	7,031
Trainees and interns	**398**	400
	12,011	11,444

[6] Other operating expenses

Other operating expenses consist of:

EUR000	2007/08	2006/07
Stock options	**12,422,487**	3,333,474
Advertising	**264,113**	252,994
Selling and general administrative expenses	**174,091**	157,642
Dues, charges, fees, legal and advisory costs	**49,104**	88,903
Exchange rate losses	**111,729**	73,736
Repairs and maintenance	**66,568**	65,255
Rent and leases	**49,392**	31,136
Sundry operating expenses	**606,211**	596,959
	13,743,695	4,600,099

Expenses relating to stock options mainly result from stock price hedges.

[7] Share of profit of associates

The share of profit of associates breaks down as follows:

EUR000	2007/08	2006/07
Share of profit	**1,007,266**	702,406
Reversal of impairment	**0**	520,758
	1,007,266	1,223,164

Based on the consolidated year-end figures presented by Volkswagen for fiscal 2006 and the positive outlook of the Volkswagen group for fiscal 2007, it had been necessary to revalue the investment in the prior-year period. The recoverable amount was set at the value in use. The shares measured at equity are adjusted in the course of the reassessment at amortized cost.

[8] Finance costs

EUR000	2007/08	2006/07
Interest expenses for unwinding the discount on provisions for pensions	**37,337**	31,131
Interest expenses for unwinding the discount on provisions	**28,184**	27,709
Unwinding the discount on provisions	**65,521**	58,840
Other interest and similar expenses	**482,787**	213,392
	548,308	272,232

Interest and similar expenses comprises interest expenses from operations and the issue of bonds. Finance costs contain interest expenses of EUR 361,161 k (prior year: EUR 73,784 k) which results from financial assets and liabilities which were not measured at fair value through profit or loss.

[9] Other finance revenue

Other finance revenue of EUR 400,429 k (prior year: EUR 167,215 k) consists of other interest and similar income and mainly stems from fixed-interest-bearing securities and fixed-term deposits. In addition, it includes income on interest-bearing receivables and loans. Other finance revenue contains interest expenses of EUR 304,640 k (prior year: EUR 41,339 k) which results from financial assets and liabilities which were not measured at fair value through profit or loss.

[10] Income tax expense

The income tax expense disclosed comprises the following:

EUR000	2007/08	2006/07
Current taxes	**1,943,075**	1,135,019
thereof income relating to other periods	**– 718**	– 70,048
Deferred taxes	**233,925**	479,981
	2,177,000	1,615,000

An average income tax rate of 30% (prior year: 39%) applies for the German entities as a result of the 2008 company tax reform act. The income tax rates applied for foreign entities range between 0% and 41% (prior year: between 0% and 41%). The reduction in tax rate was already considered when determining the deferred taxes of the German companies in the prior year. In the Porsche Group as a whole, changes in tax rates led to a revaluation of deferred taxes and thus a tax expense of EUR 629 k (prior year: EUR 25,932 k).

The current tax expense was reduced by EUR 1,306 k (prior year: EUR 778 k) owing to previously unused tax losses and tax credits. This did not lead to any changes for deferred taxes in either reporting period.

The write-ups of deferred taxes in the reporting year amounted to EUR 954 k (prior year: EUR 7,760 k) and write-downs on deferred taxes amounted to EUR 0 k (prior year: EUR 149 k). There are unused tax losses of EUR 32,160 k (prior year: EUR 15,685 k), for which no deferred tax assets have been recorded. Of the unused tax losses, an amount of EUR 29,900 k (prior year: EUR 15,685 k) can be carried forward indefinitely, while an amount of EUR 2,260 k (prior year: EUR 0 k) has to be used in the next ten years.

Deferred tax assets totaling EUR 8,386 k (prior year: EUR 5,820 k) were recognized on unused tax losses and of EUR 18 k (prior year: EUR 12 k) on unused tax credits. No deferred taxes were recorded on retained profits at subsidiaries of EUR 33,190 k (prior year: EUR 26,159 k), as these profits are mainly to be used for the expansion of business activities at the different locations. It was decided not to determine the potential tax effects on unretained profits as the effort involved would have been unreasonably high.

The following reconciliation shows the differences between the theoretical income tax expense expected based on the calculated tax rate and the current income tax expense:

EUR000	2007/08	2006/07
Profit before tax	**8,569,000**	5,857,000
Group tax rate	**30%**	39%
Expected income tax expense	**2,570,700**	2,284,230
Tax rate related differences	**– 42,888**	– 135,132
Difference in tax base	**– 369,471**	– 467,676
Recognition and measurement of deferred taxes	**18,566**	5,938
Taxes relating to other periods	**– 3,252**	– 70,454
Other differences	**3,345**	– 1,906
Reported income tax expense	**2,177,000**	1,615,000

The deferred tax assets and liabilities break down by balance sheet item as follows:

	Deferred tax assets		Deferred tax liabilities	
EUR000	31/7/2008	31/7/2007	31/7/2008	31/7/2007
Intangible assets, property, plant and equipment, leased assets and financial assets	**94,726**	86,410	**151,918**	245,132
Other assets	**61,305**	71,047	**565,889**	539,034
Unused tax losses and tax credits	**8,404**	5,832	**0**	0
Provisions	**122,226**	180,548	**50**	2,145
Liabilities	**25,537**	124,302	**586,619**	292,867
Subtotal	**312,198**	468,139	**1,304,476**	1,079,178
Adjustments	**– 877**	– 5,943	**0**	0
Offsetting	**– 300,589**	– 451,813	**– 300,589**	– 451,813
Consolidation	**83,925**	64,731	**11,086**	– 14,539
Balance pursuant to consolidated balance sheet	**94,657**	75,114	**1,014,973**	612,826

[11] Profit attributable to minority interests
The change in minority interests is made up of the profit attributable to minority interests amounting to EUR 13,561 k (prior year: EUR – 10,519 k).

[12] Earnings per share

		2007/08	2006/07
Profit for the year	EUR000	**6,392,000**	4,242,000
Profit attributable to minority interests	EUR000	**13,561**	– 10,519
Profit attributable to hybrid capital investors	EUR000	**87,810**	55,556
Profit attributable to shareholders of Porsche SE	EUR000	**6,290,629**	4,196,963
Profit attributable to ordinary shares	EUR000	**3,145,052**	2,098,219
Profit attributable to preference shares	EUR000	**3,145,577**	2,098,744
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 and diluted)	EUR	**35.94**	23.98
Earnings per preference share (basic and diluted)	EUR	**35.95**	23.99

Earnings per share are calculated by dividing the profit attributable to the shareholders of Porsche SE by the total number of shares outstanding in the fiscal year. There were no measures that have a dilutive effect.

The stock listing of Porsche SE was converted at a ratio of 1:10 on 3 March 2008. By means of the stock split, the capital stock of Porsche SE which had been increased to EUR 175 million (prior year: EUR 45.5 million) was split into a total of 175,000,000 no par value shares, of which 87,500,000 are ordinary shares and 87,500,000 preference shares, each representing a EUR 1 share of the capital stock. This had been decided by the annual general meeting of Porsche SE on 25 January 2008. This requisite amendments to the articles of incorporation and bylaws were entered into the commercial register of the Stuttgart local court on 21 February 2008. The calculation of the basic and diluted earnings per share was adjusted for the reporting periods presented to reflect the changed number of ordinary and preference shares.

[13] Notes to the consolidated statement of cash flows

The cash and cash equivalents presented in the cash flow statement relates to the balance sheet item cash and cash equivalents only, i.e. cash on hand, checks and bank balances with a maturity of less than three months. The effects of exchange rate changes on cash and cash equivalents amount to EUR – 11,145 k (prior year: EUR – 6,184 k) within the Group.

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 divided into operating activities, investing activities including investment in securities, and financing activities.

Cash inflows and outflows from investing and financing activities are presented using the direct method. Besides additions to property, plant and equipment and financial assets as well as additions to intangible assets, the cash inflows and outflows from investing activities also include cash received and paid for the sale and purchase of subsidiaries and dealerships.

Changes in leased assets and changes in receivables from financial services are also disclosed here. The cash inflows and outflows from investing activities including investment in securities supplement the investing activities by changes in investment in securities. Financing activities include cash paid for dividend payments, the repayment of loans, payments to minority interests and hybrid capital investors and cash paid for stock options transactions as well as cash received from hybrid capital investors, from borrowing, from cash received from stock options transactions as well as changes in other financial liabilities. The cash flow from operating activities, on the other hand, is derived indirectly from the earnings after tax. This involves eliminating all non-cash expenses and income – mainly depreciation or amortization and changes in provisions – as well as other non-cash expenses and income and adding changes in operating assets and liabilities. Other non-cash expenses/income mainly result from marking stock options to market and rolling forward the shares accounted for at equity. The changes in the balance sheet items from which the statement of cash flows is derived are adjusted for non-cash factors. Changes in the balance sheet items concerned can therefore not be reconciled directly with the figures in the published consolidated balance sheet.

The cash flow from operating activities includes:

EUR000	**2007/08**	2006/07
Interest paid	**– 478,358**	– 338,826
Interest received	**342,164**	110,478
Income taxes paid	**– 833,602**	– 568,833
Income taxes reimbursed	**8,223**	685
Dividends received	**160,411**	111,093

Notes to the consolidated balance sheet

[14] Development of intangible assets

Intangible assets include development services acquired for a consideration, tooling subsidies, capitalized development costs for vehicles, goodwill, licenses and software.

Total research and development, i.e. research and non-capitalizable development costs as well as the investments in capitalized development costs developed as follows:

EUR000	2007/08	2006/07
Research and development costs	**874,329**	723,560
Amortization and depreciation	**– 35,875**	– 27,445
Investment in capitalized development costs	**61,189**	37,985
	899,643	734,100

The carrying amount of goodwill in the Porsche Group as of 31 July 2008 amounts to EUR 10,820 k and is unchanged compared to the prior year.

Most of the existing goodwill is attributable to Mieschke Hoffmann und Partner Gesellschaft für Management und IT Beratung mbH, Freiberg am Neckar (EUR 4,226 k), and Porsche Enterprises, Inc., Wilmington/Delaware, USA (EUR 3,289 k). To date, the goodwill has not been impaired.

Intangible assets developed as follows:

EUR000	Franchises, industrial and similar rights	Development costs	Goodwill	Advance payments made	Total
Cost					
As of 1 August 2006	353,644	175,806	10,820	20,441	560,711
Exchange differences	– 840	0	0	– 35	– 875
Changes to consolidated group	– 1,268	0	0	0	– 1,268
Additions	13,850	37,985	0	36,303	88,138
Reclassifications	17,203	0	0	– 17,136	67
Disposals	2,123	0	0	0	2,123
As of 31 July 2007	380,466	213,791	10,820	39,573	644,650
Amortization and depreciation					
As of 1 August 2006	232,177	78,239	0	0	310,416
Exchange differences	– 740	0	0	0	– 740
Changes to consolidated group	– 1,212	0	0	0	– 1,212
Additions	47,302	27,445	0	0	74,747
Extraordinary additions	20	0	0	0	20
Disposals	2,107	0	0	0	2,107
Write-ups	0	0	0	0	0
As of 31 July 2007	275,440	105,684	0	0	381,124
Cost					
As of 1 August 2007	**380,466**	**213,791**	**10,820**	**39,573**	**644,650**
Exchange differences	**– 1,913**	**0**	**0**	**0**	**– 1,913**
Changes to consolidated group	**137**	**0**	**0**	**0**	**137**
Additions	**20,100**	**61,189**	**0**	**101,578**	**182,867**
Reclassifications	**12,266**	**0**	**0**	**– 12,006**	**260**
Disposals	**736**	**0**	**0**	**0**	**736**
As of 31 July 2008	**410,320**	**274,980**	**10,820**	**129,145**	**825,265**
Amortization and depreciation					
As of 1 August 2007	**275,440**	**105,684**	**0**	**0**	**381,124**
Exchange differences	**– 1,790**	**0**	**0**	**0**	**– 1,790**
Changes to consolidated group	**0**	**0**	**0**	**0**	**0**
Additions	**51,643**	**35,875**	**0**	**0**	**87,518**
Disposals	**649**	**0**	**0**	**0**	**649**
Write-ups	**0**	**0**	**0**	**0**	**0**
As of 31 July 2008	**324,644**	**141,559**	**0**	**0**	**466,203**
Net carrying amount 31 July 2007	105,026	108,107	10,820	39,573	263,526
Net carrying amount 31 July 2008	**85,676**	**133,421**	**10,820**	**129,145**	**359,062**

[15] Development of property, plant and equipment

EUR000	Land, land rights and buildings incl. buildings on third-party land	Technical equipment and machines	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Cost					
As of 1 August 2006	734,558	459,186	2,046,014	101,414	3,341,172
Exchange differences	18	1	– 1,300	– 122	– 1,403
Changes to consolidated group	– 166	– 673	– 319	0	– 1,158
Additions	70,576	18,612	166,710	234,984	490,882
Reclassifications	23,546	7,918	37,069	– 68,600	– 67
Disposals	4,182	13,991	63,337	0	81,510
As of 31 July 2007	824,350	471,053	2,184,837	267,676	3,747,916
Amortization and depreciation					
As of 1 August 2006	290,943	360,462	1,511,013	402	2,162,820
Exchange differences	– 309	– 10	– 692	– 10	– 1,021
Changes to consolidated group	– 112	– 534	– 258	0	– 904
Additions	20,381	25,768	220,464	0	266,613
Extraordinary additions	0	0	23	0	23
Disposals	1,273	13,522	42,863	0	57,658
Write-ups	0	0	0	392	392
As of 31 July 2007	309,630	372,164	1,687,687	0	2,369,481
Cost					
As of 1 August 2007	**824,350**	**471,053**	**2,184,837**	**267,676**	**3,747,916**
Exchange differences	**– 9,711**	**– 428**	**– 4,441**	**– 491**	**– 15,071**
Changes to consolidated group	**921**	**0**	**772**	**113**	**1,806**
Additions	**156,544**	**45,993**	**178,269**	**223,895**	**604,701**
Reclassifications	**17,432**	**39,737**	**45,469**	**– 102,898**	**– 260**
Disposals	**3,654**	**5,949**	**56,125**	**586**	**66,314**
As of 31 July 2008	**985,882**	**550,406**	**2,348,781**	**387,709**	**4,272,778**
Amortization and depreciation					
As of 1 August 2007	**309,630**	**372,164**	**1,687,687**	**0**	**2,369,481**
Exchange differences	**– 3,303**	**– 281**	**– 3,430**	**0**	**– 7,014**
Changes to consolidated group	**0**	**0**	**0**	**0**	**0**
Additions	**22,359**	**30,752**	**228,702**	**0**	**281,813**
Disposals	**1,760**	**4,889**	**33,218**	**0**	**39,867**
Write-ups	**0**	**0**	**0**	**0**	**0**
As of 31 July 2008	**326,926**	**397,746**	**1,879,741**	**0**	**2,604,413**
Net carrying amount 31 July 2007	514,720	98,889	497,150	267,676	1,378,435
Net carrying amount 31 July 2008	**658,956**	**152,660**	**469,040**	**387,709**	**1,668,365**

[16] Development of financial assets

EUR000	Investment in associates	Other equity investments	Other loans	Total
Cost				
As of 1 August 2006	3,784,491	27,610	145	3,812,246
Exchange differences	0	0	0	0
Changes to consolidated group	0	0	0	0
Additions	3,274,842	39,690	148	3,314,680
Reclassifications	0	0	0	0
Disposals	0	0	9	9
As of 31 July 2007	7,059,333	67,300	284	7,126,917
Amortization and depreciation				
As of 1 August 2006	520,758	0	0	520,758
Exchange differences	0	0	0	0
Changes to consolidated group	0	0	0	0
Additions	0	0	0	0
Extraordinary additions	0	0	0	0
Disposals	0	0	0	0
Write-ups	520,758	0	0	520,758
As of 31 July 2007	0	0	0	0
Cost				
As of 1 August 2007	**7,059,333**	**67,300**	**284**	**7,126,917**
Exchange differences	**0**	**0**	**0**	**0**
Changes to consolidated group	**0**	**0**	**0**	**0**
Additions	**1,070,516**	**0**	**8**	**1,070,524**
Reclassifications	**0**	**0**	**0**	**0**
Disposals	**0**	**3,870**	**0**	**3,870**
As of 31 July 2008	**8,129,849**	**63,430**	**292**	**8,193,571**
Amortization and depreciation				
As of 1 August 2007	**0**	**0**	**0**	**0**
Exchange differences	**0**	**0**	**0**	**0**
Changes to consolidated group	**0**	**0**	**0**	**0**
Additions	**0**	**0**	**0**	**0**
Disposals	**0**	**0**	**0**	**0**
Write-ups	**0**	**0**	**0**	**0**
As of 31 July 2008	**0**	**0**	**0**	**0**
Net carrying amount 31 July 2007	7,059,333	67,300	284	7,126,917
Net carrying amount 31 July 2008	**8,129,849**	**63,430**	**292**	**8,193,571**

[17] Development of leased assets and of total fixed assets

EUR000	Leased assets	Total fixed assets
Cost		
As of 1 August 2006	1,320,191	9,034,320
Exchange differences	– 77,930	– 80,208
Changes to consolidated group	0	– 2,426
Additions	625,724	4,519,424
Reclassifications	0	0
Disposals	535,160	618,802
As of 31 July 2007	1,332,825	12,852,308
Amortization and depreciation		
As of 1 August 2006	359,541	3,353,535
Exchange differences	– 20,212	– 21,973
Changes to consolidated group	0	– 2,116
Additions	182,893	524,253
Extraordinary additions	0	43
Disposals	180,376	240,141
Write-ups	0	521,150
As of 31 July 2007	341,846	3,092,451
Cost		
As of 1 August 2007	**1,332,825**	**12,852,308**
Exchange differences	**– 153,822**	**– 170,806**
Changes to consolidated group	**0**	**1,943**
Additions	**573,939**	**2,432,031**
Reclassifications	**0**	**0**
Disposals	**468,961**	**539,881**
As of 31 July 2008	**1,283,981**	**14,575,595**
Amortization and depreciation		
As of 1 August 2007	**341,846**	**3,092,451**
Exchange differences	**– 48,373**	**– 57,177**
Changes to consolidated group	**0**	**0**
Additions	**200,041**	**569,372**
Disposals	**156,652**	**197,168**
Write-ups	**0**	**0**
As of 31 July 2008	**336,862**	**3,407,478**
Net carrying amount 31 July 2007	990,979	9,759,857
Net carrying amount 31 July 2008	**947,119**	**11,168,117**

In its financial services division, the Porsche Group acts as lessor, primarily leasing its own products.

The remaining terms of the minimum lease payments from non-cancellable operating leases of EUR 404,174 k (prior year: EUR 448,993 k) are as follows:

EUR000	31/7/2008	31/7/2007
Due within one year	**186,577**	199,378
Due in one to five years	**217,597**	249,615
	404,174	448,993

The contracts are concluded for a period of 6 to 60 months and partly contain renewal and purchase options as well as escalation clauses. Conditional lease payments, particularly those dependent on mileage, of EUR 1,684 k (prior year: EUR 2,337 k) were recorded.

[18] Inventories

The inventories disclosed break down as follows:

EUR000	31/7/2008	31/7/2007
Materials and supplies	**83,387**	84,813
Work in progress	**41,611**	45,240
Finished goods and merchandise	**631,949**	495,156
Advance payments made	**57**	0
	757,004	625,209

Of the total inventories reported as of the balance sheet date of EUR 757,004 k (prior year: EUR 625,209 k), an amount of EUR 208,860 k (prior year: EUR 195,780 k) is recognized at net realizable value. At the same time as revenue recognition, inventories of EUR 4,374,680 k (prior year: EUR 4,076,872 k) were expensed. In the reporting period, impairments of inventories of EUR 1,031 k (prior year: EUR 1,118 k) were recorded together with reversals of impairments of EUR 7,507 k (prior year: EUR 7,928 k). The reversals were necessary because new information was available.

[19] Non-current and current trade receivables

EUR000	31/7/2008	31/7/2007
Receivables from long-term construction contracts	**28,038**	26,487
Trade receivables	**239,416**	239,421
	267,454	265,908
thereof non-current	**2,679**	20,772
thereof current	**264,775**	245,136

The receivables from long-term construction contracts are calculated as follows:

EUR000	31/7/2008	31/7/2007
Costs of conversion including outcome of the long-term construction contracts	**77,489**	107,968
thereof services billed to customers	**– 16,514**	– 77,231
Future receivables from long-term construction contracts before advance payments received	**60,975**	30,737
Advance payments received	**– 32,937**	– 4,250
	28,038	26,487

The revenue from long-term construction contracts totals EUR 64,799 k (prior year: EUR 51,522 k). Contracts and parts of contracts billed to customers are reported under trade receivables. There were no significant bad debt allowances for the trade receivables disclosed.

Due to Porsche's diversified customer structure, there is no concentration of risk in the trade receivables. 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.

[20] Non-current and current receivables from financial services

EUR000	31/7/2008	31/7/2007
Receivables from financial services	**1,773,101**	1,781,514
thereof non-current	**1,301,256**	1,321,635
thereof current	**471,845**	459,879

The receivables from financial services contain receivables from customer and dealer financing including installments due for payment of EUR 492,094 k (prior year: EUR 504,244 k) and receivables from finance leases before valuation allowances of EUR 1,316,518 k (prior year: EUR 1,317,088 k). Of these, receivables of EUR 35,511 k (prior year: EUR 39,818 k) were impaired as of the balance sheet date. There was no significant concentration of risk in the receivables from financial services. The maximum bad debt risk corresponds to the carrying amounts of the net receivables.

Receivables from finance leases are a result of vehicle financing and break down as follows:

EUR000	31/7/2008	31/7/2007
Gross total investments in the lease	**1,475,202**	1,485,280
Due within one year	**503,699**	489,638
Due in one to five years	**971,192**	995,334
Due in more than five years	**311**	308
Unrealized finance revenue	**– 158,684**	– 168,192
Present value of outstanding minimum lease payments	**1,316,518**	1,317,088
Due within one year	**427,703**	413,864
Due in one to five years	**888,504**	902,979
Due in more than five years	**311**	245

The leases also contain renewal and purchase options as well as escalation clauses. Price adjustments may arise in connection with tax changes.

Receivables from financial services are generally secured by the assignment of collateral or guarantees. The non-current receivables from financial services are subject to fixed interest rates of between 3.0% and 18.1% (prior year: 2.7% and 15.8%) depending on the market. Conditional lease payments, particularly those dependent on mileage, of EUR 823 k (prior year: EUR 202 k) were recognized. Non-guaranteed residual values accruing to the benefit of the Porsche Group amount to EUR 283,138 k (prior year: EUR 347,398 k).

Depending on liquidity requirements and the market situation a certain volume of receivables from financial services is sold to third parties. In such cases, the Company examines whether the criteria for derecognition of receivables legally transferred in factoring contracts are satisfied. If the criteria are not satisfied, in what is referred to as recourse factoring, the receivables remain on the balance sheet.

Factoring as part of asset-backed-security transactions which do not satisfy the derecognition criteria resulted in receivables from financial services at a carrying amount of EUR 1,132 million (prior year: EUR 1,160 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 associated with the receivables that have been transferred and not derecognized amount to EUR 1,084 million (prior year: EUR 1,020 million).

[21] Non-current and current other receivables and assets

EUR000	31/7/2008	31/7/2007
Derivative financial instruments	**18,329,815**	5,556,490
Other financial receivables	**1,455,674**	125,625
Other receivables	**230,161**	184,850
Prepaid expenses	**15,978**	23,139
	20,031,628	5,890,104
thereof non-current	**732,104**	285,662
thereof current	**19,299,524**	5,604,442

The item derivative financial instruments mainly includes forward exchange contracts, currency options, stock price options, equity forward contracts and compounders. A fractional amount of EUR 712,204 k is due in more than one year (prior year: EUR 268,800 k). Collateral provided in connection with future share purchases accounts for EUR 1,270,440 k (prior year: EUR 0 k) of other financial receivables. In addition, collateral of EUR 60,934 k (prior year: EUR 64,561 k) has been provided in connection with vehicle financing arrangements. Generally speaking, collateral is accounted for when the contract is concluded and derecognized at the end of the contractual agreement.

Other receivables mainly contain other taxes and advance payments; of these an amount of EUR 17,821 k (prior year: EUR 14,892 k) is due in more than one year.

Prepaid expenses of EUR 15,978 k (prior year: EUR 23,139 k) are principally attributable to the cut-off of other rent and marketing expenses as well as maintenance for hardware and software. An amount of EUR 2,079 k is due in more than one year (prior year: EUR 2,170 k).

There were no significant valuation allowances for the other receivables and assets disclosed.

[22] Income tax asset

EUR000	31/7/2008	31/7/2007
Income tax asset	**91,882**	90,860
thereof non-current	**57,360**	63,598
thereof current	**34,522**	27,262

In the 2006/07 reporting period, a change in the law in Germany required for the first time that a corporate income tax refund be capitalized as current income tax asset and carried in the balance sheet at a present value of EUR 63,598 k. This asset is no longer realized via distributions but paid out in equal installments over a period of ten years. As of the balance sheet, the present value of the refund claim amounted to EUR 65,467 k.

[23] Securities

EUR000	31/7/2008	31/7/2007
Shares	**138,146**	186,097
Investment shares	**212,354**	638,179
Fixed-interest securities	**3,586,601**	929,773
Other securities	**466,841**	679,709
	4,403,942	2,433,758
thereof non-current	**1,020,716**	1,014,573
thereof current	**3,383,226**	1,419,185

This item contains securities recognized at fair value through profit or loss at a carrying amount of EUR 431,388 k (prior year: EUR 122,732 k).

[24] Cash and cash equivalents
Cash and cash equivalents totaling EUR 6,989,501 k (prior year: EUR 2,410,066 k) consist of checks, cash on hand and bank balances maturing within three months.

[25] Equity and minority interests
The development of equity and minority interests is presented in the statement of changes in equity.

Subscribed capital
Porsche SE's subscribed capital totals EUR 175 million (prior year: EUR 45.5 million) and is divided into 87,500,000 ordinary shares and 87,500,000 non-voting preference shares which have been fully paid in. Each share represents a EUR 1 share of the capital stock. The preference shares carry an additional dividend of EUR 0.6 per share.

By a resolution taken by the annual general meeting of Porsche SE on 25 January 2008, the subscribed capital was increased from corporate funds by EUR 129.5 million to EUR 175 million (prior year: EUR 45.5 million). This was done without issuing new shares by converting into subscribed capital a portion of EUR 129.5 million of the retained earnings disclosed in the Company's balance sheet as of 31 July 2007. The requisite amendments to the articles of incorporation and bylaws were entered into the commercial register of the Stuttgart local court on 21 February 2008.

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 EUR 22.75 million in total by 25 January 2012 by issuing new bearer shares (ordinary shares) and/or non-voting preference shares for contributions in cash or kind.

Capital reserve
The capital reserve contains contributions from premiums and is unchanged since the previous year.

Retained earnings
The retained earnings are reserves for accumulated profits, reserves for marking negotiable securities to market and reserves for cash flow hedges. The accumulated profits include the profits of Porsche SE and its consolidated subsidiaries earned in previous years and the reporting year and not yet distributed as well as transactions without effect on income.

The financial statements of Porsche SE as of 31 July 2008 report net profit available for distribution of EUR 2,190,000,000. At the time when the financial statements were authorized for issue by the Executive Board, a proposal to the annual general meeting for the appropriation of profits available for distribution had not yet been made.

The reserve for marking negotiable securities to market contains changes in the fair value of these securities.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in the reserve for cash flow hedges.

Currency translation
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Hybrid capital
In December 2007, the Group privately placed a hybrid bond for EUR 1 billion with large institutional investors in Europe, Asia and the Middle East. This bond is subject to interest at a rate of 6.25% and, like the existing US dollar hybrid bond, has an indefinite life. The hybrid capital with a nominal value of EUR 1 billion and USD 1 billion (prior year: USD 1 billion) represents group equity in accordance with the rulings of IAS 32. The currency translation of the hybrid capital in US dollars is based on the exchange rate prevailing at the time of issue.

Dividend payments
In the 2007/08 fiscal year, before the stock split at a ratio of 1:10, Porsche SE distributed a dividend for the 2006/07 fiscal year of EUR 6.94 plus EUR 15.00 special dividend (prior year: EUR 5.94 plus EUR 3.00 special dividend) and per preference share EUR 7.00 plus EUR 15.00 special dividend (prior year: EUR 6.00 plus EUR 3.00 special dividend). The dividend paid for ordinary shares thus amounts to EUR 191,975 k (prior year: EUR 78,225 k) and for preference shares EUR 192,500 k (prior year: EUR 78,750 k).

Minority interests
The termination rights of minority shareholders of fully consolidated entities are disclosed as financial liabilities.

Capital management
The main aim of capital management in the Porsche Group is the continuous and long-term increase in the value of the Company and securing its liquidity. This is done in order to protect the long-term interests of the shareholders and employees and other stakeholders.

In the vehicle division, control is effected via the yield on the invested assets and in the financial services division based on the return on equity.

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 on the balance sheet date:

EUR000	31/7/2008	31/7/2007
Equity	**16,846,046**	9,481,026
Share of total capital	**51%**	59%
Non-current financial liabilities	**3,488,699**	3,539,237
Current financial liabilities	**12,897,337**	3,010,024
Total financial liabilities	**16,386,036**	6,549,261
Share of total capital	**49%**	41%
Total capital	**33,232,082**	16,030,287

The increase in equity is mainly attributable to the increase in retained earnings. The drop in the percentage share of equity in total capital is due to the increase in short-term financial liabilities.

[26] Provisions for pensions and similar obligations
Employees of the entities included in the consolidated financial statements are entitled to benefits under the company pension plan. The benefits vary according to local legal, economic and tax conditions and are usually based on the employee service period and the beneficiary’s salary. The direct and indirect obligations include both current pension obligations and future pension and retirement benefit obligations.

The company pension plan of the Group essentially relates to defined benefit plans, but there are also some defined contribution plans. The defined contribution plans principally concern German entities that are required by law to transfer contributions to the national pension insurance company. Contributions of EUR 61,680 k were paid to the national pension insurance company in Germany (prior year: EUR 55,532 k). The defined benefit plans are calculated using the projected unit credit method in accordance with IAS 19. The benefit obligations are recognized at service cost as of the measurement date. The benefit obligation for active employees increases annually by the interest cost plus the present value of the new benefit entitlements earned in the current fiscal year.

Most of the benefits pertain to Porsche AG. In addition, personal retirement capital is accumulated in Germany by employee contributions to Porsche VarioRente.

The benefit obligations are calculated using actuarial methods. These include assumptions concerning future wage and salary trends and pension increases. These parameters are estimated annually by the Company. Measurement is based on the following assumptions:

Actuarial assumptions

	Germany		United Kingdom		USA	
%	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07
Discount rate	**5.70**	5.25	**6.00**	5.70	**6.25**	6.00
Expected return on plan assets	**–**	–	**5.63**	5.47	**6.00**	6.00
Increase in salaries	**3.00**	3.00	**4.00**	4.00	**4.00**	4.00
Healthcare cost increase rate	**–**	–	**–**	–	**5.00**	5.00
Career progression	**0.50**	0.50	**–**	–	**–**	–
Increase in pensions	**2.00**	2.00	**3.80**	3.00	**3.00**	3.00

If the assumed healthcare cost increase rate increases or decreases by one percentage point, the effects are as follows:

	Increase		Decrease	
EUR000	**31/7/2008**	31/7/2007	**31/7/2008**	31/7/2007
Current service and interest cost	**371**	25	**343**	– 26
Post-employment medical benefits	**3,860**	336	**3,556**	– 309

Amounts posted to profit are loss break down as follows:

EUR000	2007/08	2006/07
Current service cost	**24,981**	32,194
Interest cost	**37,969**	33,660
Expected return on plan assets	**– 2,162**	– 2,494
Net actuarial gain(–)/loss(+) recognized in the year	**– 233**	161
Past service cost	**0**	23
Net benefit expense	**60,555**	63,544

The expected rate of return on the asset classes contained in the plan assets is determined based on the market prices prevailing on that date and the rate of return assumed for each class of asset. Historical stock exchange data are analyzed and long-term historical relationships between share investments and fixed-interest investments are held in accordance with the generally accepted market principle that states that assets with higher volatility have a higher rate of return in the long term. Active asset management is pursued for most classes of assets and taken into account in the assumed rates of return. 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 EUR 1,084 k (prior year: EUR 3,747 k).

The table below presents the development of the present value of the pension obligations and the plan assets at market values.

Development of the present value of pension obligations

EUR000	2007/08	2006/07
As of 1 August	**743,671**	758,668
Exchange differences	**– 6,206**	– 2,587
Current service cost	**24,981**	32,194
Interest cost	**37,969**	33,660
Past service cost	**0**	11
Actuarial gains and losses	**– 43,396**	– 78,262
Benefits paid	**– 19,758**	– 19,514
Employee contributions	**22,553**	19,501
As of 31 July	**759,814**	743,671

Development of the present value of the funded status of the plan

EUR000	2007/08	2006/07
As of 1 August	**43,107**	37,309
Exchange differences	**– 5,936**	– 697
Expected return on plan assets	**2,162**	2,494
Actuarial gains and losses	**– 1,736**	1,255
Benefits paid	**– 613**	– 648
Employer contributions	**3,690**	3,132
Employee contributions	**369**	262
As of 31 July	**41,043**	43,107

Contributions to the defined benefit plans are expected to total EUR 4,120 k for the 2008/09 fiscal year.

The funded status of the plan is as follows:

EUR000	31/7/2008	31/7/2007
Present value of unfunded benefit obligations	**704,359**	690,292
Present value of funded benefit obligations	**55,455**	53,379
Defined benefit obligations	**759,814**	743,671
Fair value of plan assets	**– 41,043**	– 43,107
Net obligations	**718,771**	700,564
Unrecognized net actuarial gains(+)/ losses(–)	**56,215**	17,836
Unrecognized past service cost	**0**	– 762
As of 31 July	**774,986**	717,638
thereof pension provisions	**776,553**	719,476
thereof other assets	**1,567**	1,838

The portfolio of plan assets consists of the following components:

%	31/7/2008	31/7/2007
Interest securities	**90.8**	28.7
Other securities	**9.2**	7.0
Cash reserve	**0.0**	64.3

Amounts for the current and previous two reporting periods are as follows:

EUR000	**2007/08**	2006/07	2005/06
Defined benefit obligation	**759,814**	743,671	758,668
Plan assets	**– 41,043**	– 43,107	– 37,309
Deficit (+)/Surplus (–)	**718,771**	700,564	721,359
Experience adjustments on pension obligation	**+ 13.1%**	+ 6.0%	– 2.6%
Experience adjustments on plan assets	**– 1.7%**	+ 1.3%	+ 1.0%

[27] Non-current and current tax provisions and other provisions

EUR000	**31/7/2008**		31/7/2007	
		Thereof due within one year		Thereof due within one year
Tax provisions	**2,007,629**	**2,007,629**	896,643	896,643
Provisions for personnel	**638,608**	**534,995**	594,470	533,284
Provisions for ordinary operations	**893,202**	**347,459**	951,262	390,989
Sundry other provisions	**308,426**	**307,746**	239,600	236,825
Other provisions	**1,840,236**	**1,190,200**	1,785,332	1,161,098

Provisions for personnel and welfare mainly contain obligations for vacation and Christmas bonuses, profit participations and management bonuses, the German phased retirement scheme and long-service bonuses. As a rule, the provisions recognized in the reporting year lead to payments in the following year.

Provisions for obligations from ordinary operations consist above all of amounts for warranty claims, marketing services and bonuses. The warranty obligation in the Porsche Group mainly stems from product warranties granted for the vehicles it produces. The provisions contain both estimated expenses from legal and contractual guarantee claims and also estimated expenses for non-contractual warranty. When the warranty provisions are utilized depends on when a claim is made under warranty and can extend over the entire contractual and non-contractual warranty period. The provisions for bonuses are intended to cover the cost of subsequent reductions in revenues already earned. Sundry other provisions contain a large number of discernable individual risks and uncertain obligations and mainly contain provisions for unbilled goods and services, for litigation risks and disposal obligations for used vehicles.

Other provisions developed as follows:

EUR000	As of 1/8/2007	Exchange differences	Additions	Unwinding of the discount	Utilization	Reversal	**As of 31/7/2008**
Provisions for personnel	594,470	– 1,505	523,503	0	376,308	101,552	**638,608**
Provisions for ordinary operations	951,262	– 6,803	191,979	28,173	264,213	7,196	**893,202**
Sundry other provisions	239,600	– 4,745	338,332	0	227,945	36,816	**308,426**
	1,785,332	– 13,053	1,053,814	28,173	868,466	145,564	**1,840,236**

[28] Non-current and current financial liabilities
Financial liabilities break down as follows:

EUR000	Total	Current	Non-current
31/7/2008			
Bonds	**2,294,820**	**0**	**2,294,820**
Liabilities to banks	**12,175,471**	**12,116,257**	**59,214**
Other financial liabilities	**1,915,745**	**781,080**	**1,134,665**
	16,386,036	**12,897,337**	**3,488,699**
31/7/2007			
Bonds	2,322,252	0	2,322,252
Liabilities to banks	2,238,394	2,195,604	42,790
Other financial liabilities	1,988,615	814,420	1,174,195
	6,549,261	3,010,024	3,539,237

Other financial liabilities contain liabilities from termination rights of minority shareholders of EUR 65,869 k (prior year: EUR 50,215 k).

The following items are reported under bonds:

		Issue volume in LC000	Carrying amount in EUR000	Market value in EUR000	Total term	Maturity	Nominal interest rate %	Effective interest rate %
Bonds								
Bond 2006	EUR	1,000,000	998,171	962,600	5	11 January	3.500	3.580
Bond 2006	EUR	900,000	891,706	803,700	10	16 January	3.875	4.020
Private placement 2004	USD	200,000	130,441	130,441	7	11 March	4.470	4.470
Private placement 2004	USD	150,000	97,014	97,014	10	14 March	4.980	4.980
Private placement 2004	USD	75,000	48,669	48,669	12	16 March	5.130	5.130
Private placement 2004	USD	200,000	128,819	128,819	15	19 March	5.330	5.330

The two bonds issued in the fiscal year 2006 are fixed-interest bonds which are measured at amortized cost. The other bonds are also fixed-interest instruments. They are recorded at fair value through profit or loss (change in value 2007/08: expense EUR 27,027 k (prior year: EUR 5,009 k)). To hedge the risk of interest rate fluctuation on account of the bonds being fixed-interest, interest hedges were concluded which were also recognized at fair value (change in value 2007/08: income EUR 27,027 k (prior year: EUR 5,009 k)).

Liabilities to banks serve short-term financing purposes. The nominal interest rate varies from 0.75% to 7.50% depending on the currency, maturity and contractual terms and conditions (prior year: 0.75% and 5.52%). They are recognized at amortized cost. Other financial liabilities include liabilities for re-financing the financial services business which arose in the context of non-recourse financing, sale-and-lease-back and asset-backed securities programs.

The present values of the future minimum lease payments from sale-and-lease-back transactions entered into to refinance the financial services business break down as follows:

EUR000	**31/7/2008**	31/7/2007
Due within one year	**57,335**	42,970
Due in one to five years	**45,202**	33,459
	102,537	76,429

The total volume of asset-backed securities programs comes to EUR 1,735,994 k (prior year: EUR 1,849,048) as of the balance sheet date. Interest is at inter-bank level. The average terms to maturity of the financing range from one to four years. Measurement is at amortized cost.

[29] Non-current and current trade payables

EUR000	**31/7/2008**	31/7/2007
Liabilities from long-term construction contracts	**5,358**	755
Trade payables	**581,516**	511,908
	586,874	512,663
thereof non-current	**5,556**	7,480
thereof current	**581,318**	505,183

The liabilities from long-term construction contracts are calculated as follows:

EUR000	31/7/2008	31/7/2007
Costs of conversion including outcome of the long-term construction contracts	**14,012**	3,414
thereof services billed to customers	**– 3,855**	– 2,091
Future receivables from long-term construction contracts before advance payments received	**10,157**	1,323
Advance payments received	**– 15,515**	– 2,078
	5,358	755

The fair values of trade payables largely correspond to the carrying amounts.

[30] Non-current and current other liabilities

Other liabilities break down as follows as of the balance sheet date:

EUR000	31/7/2008	31/7/2007
Advance payments received on account of orders	**127,090**	72,078
Other financial liabilities	**90,862**	20,026
Sundry liabilities	**144,638**	139,329
Derivative financial instruments marked to market	**5,696,001**	2,486,102
Deferred income	**60,348**	57,628
	6,118,939	2,775,163
thereof non-current	**47,368**	67,007
thereof current	**6,071,571**	2,708,156

Other financial liabilities mainly contain deferred rent and interest payments. Other taxes and deposits received are mainly contained in other liabilities. The deferred income item is made up of special rent payments of EUR 37,573 k (prior year: EUR 40,422 k) and other deferred income items of EUR 22,775 k (prior year: EUR 17,206 k).

The position derivative financial instruments marked to market mainly comprises forward exchange transactions and stock options.

On the whole, the fair values of other liabilities correspond to the carrying amounts.

Notes on the other disclosures

[31] Financial risk management and financial instruments

1. Hedging guidelines and financial risk management principles

Due to the international activities in the vehicles and financial services segments, changes in interest rates and exchange rates affect the net assets, financial position and results of operations of the Porsche Group. The risks result from foreign currency transactions in the course of ordinary operations, from financing and from investing activities. It is the objective of the Group's central treasury department to manage and thus minimize these financial risks relating to the continued existence and earnings power of the Group by entering into hedges for the Group.

Internal guidelines exist within the Porsche Group which clearly define 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 central treasury department identifies, analyzes and monitors the risks throughout the group using suitable information systems. Moreover, transactions may only be concluded in permitted financial instruments, only with approved counter-parties and on the admissible scale.

The guidelines and the supporting systems are checked regularly and brought into line with current market and product developments. The Group manages and monitors these risks primarily via its business operations and financing activities and, where necessary, by using derivative financial instruments. Porsche uses derivative financial instruments exclusively for risk management purposes and to obtain liquidity. Without using such instruments, the Group would be exposed to higher financial risks.

2. Credit and default risk

The credit risk of financial assets is taken into account through adequate valuation allowances considering collateral that has already been provided. Various hedging measures are taken to reduce the credit risk for primary financial instruments, such as requesting collateral or guarantees and credit ratings based on information from credit rating agencies and historical data. Hedging transactions are only entered into with international banks on the basis of uniform guidelines and are monitored accordingly.

Due to the worldwide spread of business activities and the resulting diversification, there was no major concentration of risk in the past fiscal year.

The table below shows the credit and default risk of financial assets by gross carrying amount:

EUR000	Neither past due nor impaired	Past due and not impaired	Impaired	Total
31/7/2008				
Receivables from financial services	**1,738,740**	**28,553**	**41,319**	**1,808,612**
Trade receivables	**198,819**	**38,343**	**8,997**	**246,159**
Other financial receivables	**1,455,643**	**31**	**566**	**1,456,240**
	3,393,202	**66,927**	**50,882**	**3,511,011**
31/7/2007				
Receivables from financial services	1,753,976	22,930	44,425	1,821,331
Trade receivables	203,277	35,331	6,171	244,779
Other financial receivables	125,372	0	828	126,200
	2,082,625	58,261	51,424	2,192,310

EUR000	**2007/08**	2006/07
Valuation allowances at 1 August	**45,750**	45,288
Exchange differences	**– 2,946**	– 937
Additions	**14,858**	15,083
Utilization	**11,683**	11,343
Reversal	**3,159**	2,341
Valuation allowances at 31 July	**42,820**	45,750

The valuation allowances were mainly recognized on receivables from financial services. For materiality reasons, a break-down of the valuation allowances on trade receivables of EUR 6,743 k (prior year: EUR 5,358 k) and other financial receivables of EUR 566 k (prior year: EUR 575 k) has not been presented.

Test of credit standing of the gross carrying amounts of financial assets that are neither overdue nor impaired:

EUR000	Good credit rating	Secured	Total
31/7/2008			
Receivables from financial services	**1,612,739**	**126,001**	**1,738,740**
Trade receivables	**198,347**	**472**	**198,819**
Other financial receivables	**1,455,643**	**0**	**1,455,643**
	3,266,729	**126,473**	**3,393,202**
31/7/2007			
Receivables from financial services	1,625,776	128,200	1,753,976
Trade receivables	203,277	0	203,277
Other financial receivables	125,372	0	125,372
	1,954,425	128,200	2,082,625

Invoicing in the retail business is mainly done against prepayment or direct debit. Moreover, payment terms are only agreed if the resulting receivable can be ranked as "good". In the Porsche Group, the credit standing of the borrower is examined for every loan and lease agreement. If the credit standing is not ranked “good”, additional collateral is obtained.

Analysis of the maturity of the gross carrying values of financial assets that are past due and not impaired:

	Past due by			
EUR000	Up to 30 days	30 to 90 days	More than 90 days	Total
31/7/2008				
Receivables from financial services	**24,777**	**3,260**	**516**	**28,553**
Trade receivables	**18,778**	**10,856**	**8,709**	**38,343**
Other financial receivables	**0**	**4**	**27**	**31**
	43,555	**14,120**	**9,252**	**66,927**
31/7/2007				
Receivables from financial services	20,619	1,775	536	22,930
Trade receivables	23,060	5,849	6,422	35,331
Other financial receivables	0	0	0	0
	43,679	7,624	6,958	58,261

Hedge transactions of EUR 36.6 million satisfied the IFRS recognition criteria in the reporting year (prior year: EUR 59.8 million). Most of these transactions related to vehicles.

3. Liquidity risk

Porsche mainly generates liquidity through its business operations, external financing and the securitization of receivables. The funds are chiefly used to finance working capital and capital expenditures and to cover the finance requirements of the leasing and hire purchase business. As a rule, the Group's leasing and hire purchase business is financed to a large extent by debt capital and the sale of receivables from the financial services business (securitizations).

Porsche manages the Group's liquidity by maintaining sufficient cash and cash equivalents and lines of credits at banks in addition to cash inflows from operating activities. Its liquid assets consist of cash and cash equivalents as well as highly liquid securities.

Operative liquidity management comprises a cash concentration process in which cash and cash equivalents are pooled on a daily basis. This allows liquidity surpluses and shortages to be managed in line with the requirements of the Group as a whole as well as of individual group entities. The maturities of financial assets and financial liabilities as well as estimates of cash flows from operating activities are included in short and medium-term liquidity management.

The table below shows the undiscounted contractually agreed cash outflows from the financial instruments.

Maturity analysis of undiscounted cash outflows from financial instruments:

	Remaining contractual maturities			
EUR000	Within one year	Within one to five years	In more than five years	Total
31/7/2008				
Financial liabilities	**13,102,794**	**2,945,262**	**1,349,481**	**17,397,537**
Trade payables	**578,489**	**3,027**	**0**	**581,516**
Other financial liabilities	**87,334**	**3,528**	**0**	**90,862**
Derivative financial instruments	**7,853,600**	**136,527**	**497**	**7,990,624**
	21,622,217	**3,088,344**	**1,349,978**	**26,060,539**
31/7/2007				
Financial liabilities	3,159,392	3,116,404	1,445,931	7,721,727
Trade payables	504,428	7,480	0	511,908
Other financial liabilities	17,722	2,154	150	20,026
Derivative financial instruments	3,672,695	82,878	14,236	3,769,809
	7,354,237	3,208,916	1,460,317	12,023,470

The derivatives include all cash outflows from derivative financial instruments with a negative balance. They are mostly derivatives for which gross settlement has been agreed or stock options. For economic purposes, it is generally possible to allocate cash inflows of the same amount to these payments. These cash inflows are not shown in the maturities analysis. If the cash inflows were considered, the cash outflows presented in the maturities analysis would be significantly lower.

4. Market risk

4.1 Hedging policy and financial derivatives

In the ordinary course of business, the Porsche Group is exposed to risks relating to currency, interest, raw materials prices, stock prices and fund prices. The risks result from foreign currency transactions in the course of ordinary operations, from financing and from investing activities. It is the objective of the Group's central treasury department to manage and thus minimize these financial risks to the Group's continued existence and earnings power by entering into hedges for the Group. Guidelines are issued to govern discretionary decisions and internal controls and avoid a concentration of risk. The nature and volume of hedging transactions is generally chosen with regard to the underlying contract. Hedging transactions may only be concluded to hedge existing underlyings or forecast transactions. Only financial instruments approved by type and volume may be entered into with approved counterparties.

The Porsche Group uses two methods to present market price risks from primary and derivative financial statements in accordance with IFRS 7. The market price risks for interest and currency hedges are determined using a sensitivity analysis. A value-at-risk model is used for stock price risks and asset management risks. In the value-at-risk calculation, a historical simulation is used to determine the potential change in market price. In the sensitivity analyses, risk variables within each of the market price risks are varied in order to determine the effect on equity and earnings.

4.2 Foreign currency risk

Currency risks from current receivables, liabilities and debts as well as from forecast transactions are hedged with forward exchange contracts, currency options or combined options to the extent that this makes economic sense. Hedges for value fluctuations in future cash flows from forecast transactions mainly relate to planned sales in foreign currency. As of 31 July 2008, currency hedges are in place in particular for the major currencies US dollar, pound sterling and Japanese yen.

All currencies other than the functional currency in which the Porsche Group enters into financial instruments are relevant risk variables for the purpose of the sensitivity analyses within the meaning of IFRS 7. If the respective functional currencies against the other currencies as of 31 July 2008 had been valued 10% higher, the reserve in equity would have been EUR 967 million higher (prior year: EUR 852 million). If the respective functional currencies against the other currencies as of 31 July 2008 had been valued 10% lower, the reserve in equity would have been EUR 777 million lower (prior year: EUR 435 million). If the respective functional currencies against the other currencies as of 31 July 2008 had been valued 10% higher, the profit would have been EUR 117 million lower (prior year: EUR 150 million). If the respective functional currencies against the other currencies as of 31 July 2008 had been valued 10% lower, the profit would have been EUR 23 million higher (prior year: EUR 14 million).

Under IFRS, changes in value are to be recorded in profit or loss to the extent that they do not compensate for the changes in value of future payments from the hedged underlyings. At Porsche, this mainly relates to the write-downs to acquisition cost of the options contained in the portfolio. As these acquisition costs have to be recognized to profit and loss at the latest when the underlying occurs, the risks with profit and loss effect described above merely bring forward future expenses or income.

4.3 Interest rate risk

The interest risk in the Group from financial services is minimized by using suitable business models or interest swaps to keep financing and refinancing balanced as far as possible. In this division there is thus no significant risk due to changes in interest rates.

The interest risk for the rest of the Porsche Group stems from changes in market interest rates. This particularly affects the current tax expense for call money and medium and long-term floating-rate receivables and liabilities, but can equally also impact on the market value recognized for fixed-interest receivables and liabilities. Depending on the market situation, these are hedged either using interest swaps or interest contracts.

Sensitivity analyses are used to determine interest risks within the meaning of IFRS 7. For this purpose, effects of changes in market interest rates on the financial result are presented. If the market interest level had been valued 100 base points higher as of 31 July 2008, the reserve in equity would have been EUR 3 million lower (prior year: EUR 1 million higher). If the market interest level had been valued 100 base points lower as of 31 July 2008, the reserve in equity would have been EUR 3 million higher (prior year: EUR 1 million lower). If the market interest level had been valued 100 base points higher as of July 31, 2008, the profit would have been EUR 8 million higher (prior year: EUR 14 million). If the market interest level had been valued 100 base points higher as of 31 July 2008, the profit would have been EUR 6 million lower (prior year: EUR 13 million).

4.4 Stock price hedging risk

Stock price hedges have been entered into to secure the step-up of the shareholding in Volkswagen AG. These are stock options and, to a lesser extent, equity forward contracts. Porsche purchased these stock price hedges in order to secure a fixed subscription price for the planned share step-up. Profit and loss effects above and beyond this are not part of the hedging strategy.

Based on an historical simulation for the last 360 days and a retention period of ten days and a confidence level of 95%, the value-at-risk for the stock options and forward transactions amounted to EUR 1.834 million (prior year: EUR 539 million).

4.5 Fund price risk

Porsche has invested part of its liquid funds for the medium and long-term in securities special funds and money market funds. These investments are highly diversified and are partly managed via loss limit systems. Here too, Porsche’s investment policy complies with the basic principle that investment security takes clear precedence over any attempt to obtain an extraordinary 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 EUR 6 million (prior year: EUR 7 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 attributable to the hedged risk. In the Porsche Group, the effectiveness of hedges is permanently monitored both prospectively and retrospectively. The changes in value of the underlying expressed in monetary units are compared with the changes in value of the hedge expressed in monetary units. The hedges are classified as effective whose change in value amounts to 80% - 125% of the change in value of the underlying.

Nominal volume of derivative financial instruments:

		Nominal volume			**Nominal**	Nominal
	EUR000	Due within one year	Due in one to five years	Due in more than five years	**volume as of 31/7/2008**	volume as of 31/7/2007
Assets	Currency hedge	3,126,221	11,567,909	0	**14,694,130**	12,198,361
	Interest hedge	4,133,070	800,738	628,276	**5,562,084**	1,091,319
	Stock price hedge	26,018,573	0	0	**26,018,573**	10,553,364
		33,277,864	12,368,647	628,276	**46,274,787**	23,843,044
Equity and liabilities	Currency hedge	987,706	134,315	0	**1,122,021**	1,357,879
	Interest hedge	159,750	469,667	11,267	**640,684**	902,830
	Stock price hedge	31,009,556	0	0	**31,009,556**	13,473,485
		32,157,012	603,982	11,267	**32,772,261**	15,734,194

Realization of underlying transactions of the cash flow hedges is expected to match the maturity bands presented in the table. Market values of the derivatives are determined using market data on the balance sheet date and suitable valuation methods.

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 were appropriate:

%	EUR	USD	GBP	JPY
Interest rate for 6 months	5.15	3.08	5.98	1.00
Interest rate for 1 year	5.37	3.25	6.17	1.16
Interest rate for 5 years	4.88	4.13	5.51	1.34
Interest rate for 10 years	4.88	4.63	5.26	1.73
Interest rate for 15 years	4.94	4.84	5.03	2.01

The carrying amounts and fair values of the financial instruments are shown below:

	EUR000	Measurement category under IAS 39	**Carrying amount 31/7/2008**	**Fair value 31/7/2008**	Carrying amount 31/7/2007	Fair value 31/7/2007
Assets	Other financial assets	AfS	**63,430**	**63,430**	67,300	67,300
	Other loans	LaR	**292**	**292**	284	284
	Receivables from long-term construction contracts	n/a	**28,038**	**28,038**	26,487	26,487
	Trade receivables	LaR	**239,416**	**239,416**	239,421	239,421
	Receivables from financial services	LaR/IAS 17	**1,773,101**	**1,787,091**	1,781,514	1,817,304
	Derivative financial instruments		**18,329,815**	**18,329,815**	5,556,490	5,556,490
	Hedge accounting	n/a	**825,489**	**825,489**	464,604	464,604
	Currency hedge	HfT	**188,248**	**188,248**	1,664	1,664
	Interest hedge	HfT	**14,929**	**14,929**	34,998	34,998
	Stock price hedge	HfT	**17,301,149**	**17,301,149**	5,055,224	5,055,224
	Other financial receivables	LaR	**1,455,674**	**1,455,674**	125,625	125,625
	Securities		**4,403,942**	**4,403,942**	2,433,758	2,433,758
	Measured at fair value	AfS/HfT/FVtPL	**4,373,366**	**4,373,366**	2,327,250	2,327,250
	Measured at amortized cost	HtM	**30,576**	**30,576**	106,508	106,508
	Cash and cash equivalents	LaR	**6,989,501**	**6,989,501**	2,410,066	2,410,066
Equity and liabilities	Financial liabilities		**16,386,036**	**16,268,708**	6,549,261	6,451,068
	Financial liabilities	FLAC	**14,142,562**	**14,018,985**	4,189,981	4,085,717
	Financial liabilities	n/a	**2,243,474**	**2,249,723**	2,359,280	2,365,351
	Liabilities from long-term construction contracts	n/a	**5,358**	**5,358**	755	755
	Trade payables	FLAC	**581,516**	**581,516**	511,908	511,908
	Other financial liabilities	FLAC	**90,862**	**90,862**	20,026	20,026
	Derivative financial instruments		**5,696,001**	**5,696,001**	2,486,102	2,486,102
	Hedge accounting	n/a	**3,714**	**3,714**	24,822	24,822
	Currency hedge	HfT	**7,414**	**7,414**	13,268	13,268
	Interest hedge	HfT	**6,210**	**6,210**	2,894	2,894
	Stock price hedge	HfT	**5,678,663**	**5,678,663**	2,445,118	2,445,118

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 residual terms of the currency hedges for US dollar, Swiss francs, pound sterling and Japanese yen is five years, otherwise no more than four years.

The receivables from financial services contain assets of EUR 1,325,962 k (prior year: EUR 1,290,798 k) which are valued in accordance with IAS 17.

The carrying amounts are allocated to the respective valuation categories as follows:

EUR000	Carrying amount 31/7/2008	31/7/2007
Financial assets at fair value through profit or loss	**17,974,407**	5,266,728
Designated upon initial recognition (FVtPL)	**431,388**	122,732
Held for trading (HfT)	**17,543,019**	5,143,996
Held to maturity (HtM)	**30,576**	106,508
Loans and receivables (LaR)	**9,132,022**	3,266,112
Available-for-sale financial assets (AfS)	**3,966,715**	2,219,708
Financial liabilities at fair value through profit or loss	**5,692,287**	2,461,280
Designated upon initial recognition (FVtPL)	**0**	0
Held for trading (HfT)	**5,692,287**	2,461,280
Financial liabilities measured at amortized cost (FLAC)	**14,814,940**	4,721,915

The net gains or losses of the respective valuation categories are as follows:

EUR000	Net gains or losses 2007/08	2006/07
Financial instruments at fair value through profit or loss	**6,607,908**	3,265,123
Designated upon initial recognition (FVtPL)	**523**	8,818
Held for trading (HfT)	**6,607,385**	3,256,305
Held to maturity (HtM)	**1,512**	3,827
Loans and receivables (LaR)	**213,018**	46,171
Available-for-sale financial assets (AfS)	**79,136**	94,940
Financial liabilities measured at amortized cost (FLAC)	**– 360,442**	– 119,656

The net gains or losses from financial instruments in the valuation 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.

An amount of EUR 272,657 k (prior year: EUR 87,590 k) was reclassified in the fiscal year from the reserve for cash flow hedges to revenue and EUR 1,845 k (prior year: EUR 0 k) to cost of materials. The gain on the disposal of available-for-sale securities totaled EUR 15,330 k (prior year: EUR 15,233 k), while the loss on the disposal came to EUR 27,564 k (prior year: EUR 0 k). Expenses of EUR 2,500 k (prior year: EUR 0 k) resulted from the derecognition of derivatives from the cash flow hedge reserve which no longer satisfied the criteria of IAS 39.

For cash flow hedge accounting purposes, hedged future cash flows of the following five fiscal years are considered.

Profit realization and cash flow generally fall within the same period.

[32] Contingent liabilities

EUR000	31/7/2008	31/7/2007
Guarantees	**94**	78
Warranties	**27,035**	27,040
Collateral for third-party liabilities	**129,684**	93,743

No provisions were recognized for contingent liabilities as it is more likely than not that they will not occur.

[33] Other financial obligations

Other financial obligations in the Group total EUR 650.1 million (prior year: EUR 401.3 million). There are obligations from rent, leasing and maintenance agreements of EUR 90.8 million in total (prior year: EUR 66.8 million). The Group has purchase commitments from projects initiated for investments in property, plant and equipment of EUR 423.4 million (prior year: EUR 321.6 million) and for investments in intangible assets of EUR 119.4 million (prior year: EUR 4.1 million). The other financial commitments in the Group come to EUR 16.5 million (prior year: EUR 8.8 million). The terms to maturity of minimum lease payments under non-cancelable operating leases and rent agreements as well as sundry other financial obligations are as follows:

EUR000	31/7/2008	31/7/2007
Minimum lease payments	**90,746**	66,801
Due within one year	**24,496**	20,213
Due in one to five years	**42,101**	29,953
Due in more than five years	**24,149**	16,635
Sundry other financial obligations	**559,311**	334,545
Due within one year	**482,486**	330,863
Due in one to five years	**76,825**	3,682
Due in more than five years	**0**	0

Rent and leasing payments recorded as an expense in the fiscal year total EUR 49,392 k (prior year: EUR 31,136 k). The leases also contain renewal and purchase options as well as escalation clauses.

[34] Subsequent events

Porsche Logistik GmbH was incorporated on 1 August 2008.

On 16 September 2008 Porsche SE acquired further 14.4 million voting shares in Volkswagen AG and thus increased the voting share to 35.14%. This gives Porsche SE the majority of votes at the shareholders' meeting, thus essentially securing control of the Volkswagen group for corporate law purposes.

These participation ratios mean Porsche was legally required to submit a formal mandatory offer for the Volkswagen subsidiary Audi AG, in Ingolstadt. Porsche SE offered the Audi shareholders the legally prescribed minimum price of EUR 485.83 per share. Volkswagen AG had previously announced that the offer for its 99.14 percent share in Audi would not be accepted. The mandatory bid therefore concerned only the 0.86 percent of shares in free float, which corresponds to about 370,000 Audi shares. The period for accepting the mandatory bid was limited to the shortest legally permissible period of four weeks. It began on 29 September 2008.

In the time from 16 September 2008 to 20 October 2008, Porsche SE acquired a further 7.49% of the voting shares in Volkswagen AG.

[35] Segment reporting

The objective of the segment reporting is to provide information about the main divisions of the group. In accordance with IAS 14, the Group's activities are broken down by geographical region as the primary reporting format and by business division as the secondary reporting format. Segmentation is based on the internal reporting and organizational structure, taking account of the different risk and income structures of the various regions and divisions. The segmentation by region is based on the location of the customers. According to the different risk and income structure, the group is divided into the regions Germany, North America, Europe without Germany and Rest of the world.

Segmentation by business division shows the vehicles and financial services divisions. The vehicles division includes the development, production and sale of vehicles as well as related services. The financial services division comprises the financing and leasing business for customers and dealerships.

Intersegment receivables and liabilities, provisions, income and expenses as well as intersegment profits and losses are eliminated in the column "consolidation". This column also includes the items not allocable to the individual segments. The segment figures are determined in accordance with the recognition and measurement methods used in the consolidated financial statements. The business relations between the entities of the Porsche Group are generally based on prices as agreed with third parties.

Third-party sales show the share of each division in the Porsche Group's revenues.

Intersegment sales show the sales effected between the segments.

Earnings before financial income and income tax constitutes the segment result. The segment result includes the result from lease transactions as well as the result from customer and dealer financing.

Segment assets include all assets except for income tax claims and assets allocable to financial transactions. Segment liabilities include all liabilities except for income tax liabilities and financial liabilities unless they were incurred directly for operating purposes.

Non-cash expenses mainly include additions to provisions and unrealized losses from measurement at market value.

Amortization and depreciation as well as capital expenditure primarily relate to property, plant and equipment, intangible assets and leased assets.

In the prior year, segment assets in the financial services segment in the secondary reporting format whose profit share was not allocated to the segment result was eliminated from the segment allocation. The “consolidation” column was adjusted accordingly.

Segment information by region

EUR millions	Germany 2007/08	Germany 2006/07
Sales to third parties	**3,055.5**	2,553.7
Intersegment sales revenue	**3,474.8**	3,870.4
Segment result	**7,546.5**	4,427.3
Segment assets	**22,765.4**	10,925.8
Segment liabilities	**12,884.4**	8,434.9
Significant non-cash expenses	**273.3**	485.7
Amortization and depreciation	**374.5**	347.5
Capital expenditures (excluding financial assets)	**814.3**	592.5

Segment information by business division

EUR millions	Automotive 2007/08	Automotive 2006/07
Sales to third parties	**7,056.3**	6,965.3
Intersegment sales revenue	**175.7**	145.2
Segment assets	**23,324.5**	11,047.9
Capital expenditures (excluding financial assets)	**783.5**	576.3

* adjusted

North America		Europe without Germany		Rest of world		Consolidation		Porsche Group	
2007/08	2006/07	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07
1,965.1	2,217.7	**1,479.8**	1,749.5	**966.0**	847.0	**0.0**	0.0	**7,466.4**	7,367.9
0.4	0.2	**4.5**	4.4	**0.5**	0.5	**– 3,480.2**	– 3,875.5	**0.0**	0.0
90.5	142.0	**81.2**	120.0	**51.1**	39.5	**– 59.7**	10.1	**7,709.6**	4,738.9
1,828.2	1,628.1	**4,958.5**	4,061.1	**584.2**	334.1	**15,441.0**	6,383.3	**45,577.3**	23,332.4
1,227.9	1,298.7	**1,005.7**	1,013.8	**456.3**	256.5	**13,156.9**	2,847.5	**28,731.2**	13,851.4
7.7	0.0	**6.8**	22.3	**6.3**	1.9	**3.7**	– 37.6	**297.8**	472.3
185.2	176.2	**7.3**	6.9	**2.4**	1.2	**0.0**	– 0.1	**569.4**	531.7
505.3	574.7	**28.2**	13.9	**11.2**	21.0	**2.5**	2.6	**1,361.5**	1,204.7

Financial services		Consolidation		Porsche Group	
2007/08	2006/07	**2007/08**	2006/07	**2007/08**	2006/07
410.1	402.6	**0.0**	0.0	**7,466.4**	7,367.9
12.2	11.7	**– 187.9**	– 156.9	**0.0**	0.0
3,069.1	3,082.0*	**19,183.7**	9,202.5*	**45,577.3**	23,332.4
574.5	625.9	**3.5**	2.5	**1,361.5**	1,204.7

[36] Disclosure pursuant to Sec. 160 (1) No. 8 AktG [“Aktiengesetz”: German Stock Corporation Act]

On 29 January 2008 Ferdinand Alexander Porsche GmbH, and others, made the following announcement to us in accordance with Sec. 21 (1) Sentence 1 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]:

“The two signatories (also referred to as the “notifying parties") herewith announce on behalf of and with the authorization of the legal entities represented by them and listed below who, at the time of this announcement, were direct or indirect shareholders of Porsche Automobil Holding SE (at that time called Dr. Ing. h.c. F. Porsche Aktiengesellschaft), correcting the announcement of 22 December 2000 pursuant to Sec. 21 (1) WpHG, as follows:

The voting share of the respective notifying party to Porsche Automobil Holding SE (formerly Dr. Ing. h.c. F. Porsche Aktiengesellschaft), Porscheplatz 1, 70435 Stuttgart, exceeded on 21 December 2000 the voting right threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% and at this point in time amounted to 100% (875,000 voting rights). As of today, it also amounts to 100% (8,750,000 voting rights).

On account of a consortium agreement, the following voting shares were allocable to the notifying parties in accordance with Sec. 22 (1) No. 3 WpHG as amended 9 September 1998 (old version) or Sec. 22 (2) WpHG of the current version (new version) and Sec. 22 (1) No. 2 WpHG (old version) or Sec. 22 (1) No. 1 WpHG (new version):

Notifying party and address	Pursuant to Sec. 22 (1) No. 3 WpHG old version or Sec. 22 (2) WpHG new version	Sec. 22 (1) No. 2 WpHG old version or Sec. 22 (1) No. 1 WpHG new version
Ferdinand Alexander Porsche GmbH, Kronenstr. 30, 70174 Stuttgart	87.74% (767,726 voting rights)	–
Prof. Ferdinand Alexander Porsche GmbH. Vogelweiderstr. 75, A– 5021 Salzburg	87.74% (767,726 voting rights)	12.26% (107,274 voting rights)
Hans-Peter Porsche GmbH, Kronenstr. 30, 70174 Stuttgart	87.78% (768,104 voting rights)	–
Ing. Hans-Peter Porsche GmbH, Vogelweiderstr. 75, A– 5021 Salzburg	87.78% (768,104 voting rights)	12.22% (106,896 voting rights)
Wolfgang Porsche GmbH, Kronenstr. 30, 70174 Stuttgart	87.78% (768,104 voting rights)	–
Gerhard Porsche GmbH, Kronenstr. 30, 70174 Stuttgart	94.23% (824,538 voting rights)	–
Gerhard Anton Porsche GmbH, Vogelweiderstr. 75, A– 5021 Salzburg	94.23% (824,538 voting rights)	5.77% (50,462 voting rights)
Louise Daxer-Piëch GmbH, Kronenstr. 30, 70174 Stuttgart	92.36% (808,125 voting rights)	–
Louise Daxer-Piëch GmbH, Vogelweiderstr. 75, A– 5021 Salzburg	92.36% (808,125 voting rights)	7.64% (66,875 voting rights)
Ferdinand Piëch GmbH, Karl-Valentin-Strasse 24, 82031 Grünwald,	86.84% (759,827 voting rights)	–
Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Sonnleitenweg 12, A– 5020 Salzburg	86.84% (759,827 voting rights)	13.16% (115,173 voting rights)
Hans Michel Piëch GmbH, Karl-Valentin-Strasse 24, 82031 Grünwald	86.84% (759,827 voting rights)	–
Dr. Hans Michel Piëch GmbH, Vogelweiderstrasse 75, A– 5021 Salzburg	86.84% (759,827 voting rights)	13.16% (115,173 voting rights)

The voting rights of the following notifying parties allocable in accordance with Sec. 22 (1) No. 2 WpHG (old version) and Sec. 22 (1) No. 1 WpHG (new version) were in fact held via the following controlled companies whose allocated voting share was 3% or more in each case:

Notifying party	Controlled company
Prof. Ferdinand Alexander Porsche GmbH, Salzburg	Ferdinand Alexander Porsche GmbH, Stuttgart
Ing. Hans-Peter Porsche GmbH, Salzburg	Hans-Peter Porsche GmbH, Stuttgart
Gerhard Anton Porsche GmbH, Salzburg	Gerhard Porsche GmbH, Stuttgart
Louise Daxer-Piëch GmbH, Salzburg	Louise Daxer-Piëch GmbH, Stuttgart
Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg	Ferdinand Piëch GmbH, Grünwald
Dr. Hans Michel Piëch GmbH, Salzburg	Hans Michel Piëch GmbH, Grünwald

Of the shares of the following shareholders (notifying parties and third parties), the other notifying party in each case (other than the notifying party to whom voting rights had already been allocated from the shares of the respective shareholder in accordance with Sec. 22 (1) No. 2 WpHG (old version) or Sec. 22 (1) No. 1 WpHG (new version)) is allocated 3% or more of the voting rights pursuant to Sec. 22 (1) No. 3 WpHG (old version) or Sec. 22 (2) WpHG (new version): 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 Stuttgart.

Dr. Wolfgang Hils
- as representative of the notifying parties Ferdinand Piëch GmbH, Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Hans Michel Piëch GmbH, Dr. Hans Michel Piëch GmbH -

Dr. Oliver Porsche
- as representative of the other notifying parties -"

On 29 January 2008 Porsche Holding Gesellschaft mbH, Salzburg (Austria), made the following announcement to us in accordance with Sec. 21 (1) Sentence 1 WpHG:

"I herewith announce to you on behalf of Porsche Holding Gesellschaft m.b.H., Vogelweiderstrasse 75, A-5020 Salzburg ("notifying party") pursuant to Sec. 21 (1) WpHG that your voting share in Porsche Automobil Holding SE (formerly Dr. Ing. h.c. F. Porsche Aktiengesellschaft), Porscheplatz 1, 70435 Stuttgart, exceeded on 27 February 1997 the voting right threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% and at this point in time amounted to 100% (875,000 voting rights). As of today, it also amounts to 100% (8,750,000 voting rights).

A voting share of 23.57% (206,251 voting rights) was allocable to the notifying parties in accordance with Sec. 22 (1) No. 2 WpHG as amended 26 June 1994 (old version) or Sec. 22 (1) No. 1 WpHG of the current version (new version) as well as a voting share of 76.43% (668,749 voting rights) pursuant to Sec. 22 (1) No. 3 WpHG (old version) or Sec. 22 (2) WpHG.

The voting share of the notifying parties pursuant to Sec. 22 (1) No. 2 WpHG (old version) or Sec. 22 (1) No. 1 WpHG (new version), which amounted to 3% or more, was in fact held via Porsche GmbH, Salzburg and Porsche GmbH, Stuttgart.

The voting share allocable to the notifying parties pursuant to Sec. 22 (1) No. 3 WpHG (old version) or Sec. 22 (2) WpHG (new version) of the following shareholders amounted to 3% or more: Prof. Ferdinand Alexander Porsche, Hans-Peter Porsche, Gerhard Anton Porsche, Dr. Wolfgang Porsche, Louise Daxer-Piëch, Dr. h.c. Ferdinand Piëch, Dr. Hans-Michel Piëch.

Dr. Oliver Porsche"

On 29 January 2008 Mr. Kai Alexander Porsche and others (Austria), made the following announcement to us in accordance with Sec. 21 (1) Sentence 1 WpHG:

"I herewith announce on behalf of and with the authorization of the persons listed below, who at the time covered by this announcement were direct shareholders of Porsche Automobil Holding SE (at that time called Dr. Ing. h.c. F. Porsche Aktiengesellschaft) (hereinafter referred to as "the notifying parties"), correcting the announcement of 28 January 2000 pursuant to Sec. 21 (1) WpHG, as follows:

The voting share of Mr. Kai Alexander Porsche, Höhenstr. 19c, A-6020 Innsbruck and Mr. Mark Philipp Porsche, Höttinger Au 24 A, Top 36, A-6020 Innsbruck in Porsche Automobil Holding SE (formerly Dr. Ing. h.c. F. Porsche Aktiengesellschaft), Porscheplatz 1, 70435 Stuttgart, exceeded on 22 November 1999 the voting right threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% and at this point in time amounted to 100% (875,000 voting rights). As of today, it also amounts to 100% (8,750,000 voting rights). Due to a consortium agreement, 99.87% of the voting rights (873,829 voting rights) were allocable to the respective notifying party in accordance with Sec. 22 (1) No. 3 WpHG as amended 9 September 1998 (old version) or Sec. 22 (2) WpHG of the current version (new version).

The voting share of Mr. Peter Daniell Porsche in Porsche Automobil Holding SE (formerly Dr. Ing. h.c. F. Porsche Aktiengesellschaft), Porscheplatz 1, 70435 Stuttgart, exceeded on 19 Janaury 2000 the voting right threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% and at this point in time amounted to 100% (875,000 voting rights). As of today, it also amounts to 100% (8,750,000 voting rights). Due to a consortium agreement, 99.60% of the voting rights (871,486 voting rights) were allocable in accordance with Sec. 22 (1) No. 3 WpHG (old version) or Sec. 22 (2) WpHG of the current version (new version).

The voting share allocable to the notifying parties pursuant to Sec. 22 (1) No. 3 WpHG (old version) or Sec. 22 (2) WpHG (new version) of the following shareholders amounted to 3% or more: Prof. Ferdinand Alexander Porsche, Hans-Peter Porsche, Gerhard Anton Porsche, Dr. Wolfgang Porsche, Louise Daxer-Piëch, Dr. h.c. Ferdinand Piëch, Dr. Hans-Michel Piëch, Stuttgart.

Dr. Oliver Porsche“

On 29 January 2008 Herr Prof. Dr. Ing. h.c. Ferdinand Porsche and others (Austria), made the following announcement to us in accordance with Sec. 21 (1) Sentence 1 WpHG:

“The two signatories herewith announce on behalf of and with the authorization of the natural and legal persons represented by them and listed in 1 and 2 , at the time of this announcement, were direct or indirect shareholders of Porsche Automobil Holding SE (at that time called Dr. Ing. h.c. F. Porsche Aktiengesellschaft) or their heirs or legal successors (hereinafter also referred to as the “notifying parties”), correcting the announcement of 5 February 1997 pursuant to Sec. 21 (1) WpHG, as follows:

The voting share of the respective notifying party to Porsche Automobil Holding SE (formerly Dr. Ing. h.c. F. Porsche Aktiengesellschaft), Porscheplatz 1, 70435 Stuttgart, exceeded on 3 February 1997 the voting right threshold of 75% and at this point in time amounted to 100% (875,000 voting rights). For the persons that still exist the voting share amounts to 100% (8,750,000 voting rights).

Due to a consortium agreement, the following voting shares were allocable to the following notifying parties in accordance with Sec. 22 (1) No. 3 WpHG as amended 26 June 1994 (old version) or Sec. 22 (2) WpHG of the current version (new version).

Notifying party	Allocation pursuant to Sec. 22 (1) No. 3 WpHG (old version) or Sec. 22 (2) WpHG (new version)
Prof. Dr. Ing. h. c. Ferdinand Porsche, Zell am See	99.84% (873,569 voting rights)
Prof. Ferdinand Alexander Porsche, Gries/Pinzgau	87.82% (768,461 voting rights)
Hans-Peter Porsche, Salzburg	87.82% (768,461 voting rights)
Gerhard Anton Porsche, Mondsee	94.27% (824,895 voting rights)
Dr. Wolfgang Porsche, Munich	87.82% (768,461 voting rights)
Dr. Oliver Porsche, Salzburg	99.96% (874,625 voting rights)
Kommerzialrat Louise Piëch, Thumersbach	99.80% (873,216 voting rights)
Louise Daxer-Piëch, Vienna	93.89% (821,499 voting rights)
Mag. Josef Ahorner, Vienna	99.24% (868,313 voting rights)
Mag. Louise Kiesling, Vienna	99.24% (868,313 voting rights)
Dr. techn. h. c. Ferdinand Piëch, Salzburg	86.94% (760,719 voting rights)
Dr. Hans Michel Piëch, Salzburg	86.94% (760,719 voting rights)
Porsche GmbH, Porscheplatz 1, 70435 Stuttgart	76.43% (668,749 voting rights)

Voting shares of 23.57% each (206,251 voting rights) in accordance with Sec. 22 (1) No. 2 WpHG (old version) or Sec. 22 (1) No. 1 WpHG (new version) as well as voting shares of 76.43% each (668,749 voting rights) pursuant to Sec. 22 (1) No. 3 WpHG (old version) or Sec. 22 (2) WpHG (new version) is allocable to what used to be Porsche Holding KG, Fanny-von-Lehnert Strasse 1, A-5020 Salzburg (legal successor today: Porsche Holding Gesellschaft m.b.H., Vogelweiderstrasse 75, A-5020 Salzburg) and Porsche GmbH, Vogelweiderstrasse 75, A-5020 Salzburg.

The voting rights of Porsche GmbH, Salzburg, allocated pursuant to Sec. 22 (1) No. 2 WpHG (old version) or Sec. 22 (1) No. 1 WpHG (new version) were in fact held via Porsche GmbH, Stuttgart. The voting rights of Porsche Holding KG, allocated pursuant to Sec. 22 (1) No. 2 WpHG (old version) or Sec. 22 (1) No. 1 WpHG (new version) were in fact held via Porsche GmbH, Salzburg and Porsche GmbH, Stuttgart. In both cases, the allocated voting share of Porsche GmbH, Stuttgart pursuant to Sec. 22 (1) No. 2 WpHG (old version) or Sec. 22 (1) No. 1 WpHG (new version) amounted to 3% or more.

The voting share of the following shareholders allocated to the other notifying party in each case pursuant to Sec. 22 (1) No. 3 WpHG (old version) or Sec. 22 (2) 1 WpHG (new version) amounted to 3% or more:
Prof. Ferdinand Alexander Porsche, Hans-Peter Porsche, Dr. Wolfgang Porsche, Louise Daxer-Piëch, Dr. h.c. Ferdinand Piëch, Dr. Hans-Michel Piëch, Porsche GmbH, Stuttgart.

Dr. Wolfgang Hils
- as representative of the notifying parties of Kommerzialrat Louise Piëch,
Dr. techn. h. c. Ferdinand Piëch and Dr. Hans Michel Piëch -

Dr. Oliver Porsche
- as representative of the other notifying parties -”

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, HRB 724512 of 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 at this point in time 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 were held via the following dependent company 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 this shareholder. 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.”

[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 SE.

The disclosure requirements under IAS 24 also extend to persons who have the power to exercise significant influence over the company, i.e. who have the power to participate in the financial and operating policies of the company, but do not control it, including close family members. In the fiscal year 2007/08 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 EUR 144.1 million (prior year: EUR 112.2 million), and trade in the design business to EUR 1.9 million (prior year: EUR 1.1 million).

Apart from that, the Porsche and 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 EUR 2,099 k (prior year: EUR 1,255 k) to Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG.

Other services worth EUR 57 k were provided to members of the Executive and Supervisory Boards (prior year: EUR 17 k). They were charged at arm's length conditions. Otherwise, no transactions requiring disclosure were conducted by entities of the Porsche Group with members of the Supervisory Board or Executive Board as persons in key positions or any other entities in whose executive or supervisory board any such persons are represented. The same applies for members of these persons’ close families.

The disclosure duties pursuant to IAS 24 also contain the disclosure of persons and companies on which Porsche SE can exert a significant influence. Business relations exist with the Volkswagen group from deliveries relating to the vehicle and parts business and from consulting and development services. They were charged at arm's length conditions.

Related parties

EUR000	Supplies and services rendered 2007/08	Supplies and services rendered 2006/07	Supplies and services received 2007/08	Supplies and services received 2006/07
Porsche and Piëch families	**146,027**	113,370	**1,735**	425
Members of the Executive Board and the Supervisory Board	**236**	174	**0**	0
Volkswagen AG Group	**112,653**	87,955	**989,046**	791,678
	258,916	201,499	**990,781**	792,103

EUR000	Receivables 31/7/2008	Receivables 31/7/2007	Liabilities 31/7/2008	Liabilities 31/7/2007
Porsche and Piëch families	**2,559**	434	**2,251**	1,636
Members of the Executive Board and the Supervisory Board	**14**	9	**0**	0
Volkswagen AG Group	**18,417**	5,164	**21,495**	52,910
	20,990	5,607	**23,746**	54,546

[38] Remuneration of the Supervisory Board and the Executive Board

The remuneration of the Executive Board consists of a basic salary and a profit-based variable component. The remuneration of the Executive Board is due in the short term and amounted to EUR 143.5 million (prior year: EUR 112.7 million) for the fiscal year 2007/08. This figure includes profit-based components of EUR 139.5 million (prior year: EUR 107.3 million). This also contains the pro rata temporis remuneration of the four members of the Executive Board whose service agreements were transferred to Dr. Ing. h.c. F. Porsche Aktiengesellschaft on 13 November 2007. In addition, an amount of EUR 3,298 k (prior year: EUR 2,824 k) was transferred to the pension provisions for active members of the Executive Board. The pension obligations to former Executive Board members and their surviving dependants total EUR 28.1 million (previous year: EUR 24.4 million). Benefit payments came to EUR 1.3 million (prior year: EUR 1.0 million). The total remuneration of the Supervisory Board for the 2007/08 fiscal year amounts to EUR 1.9 million (prior year: EUR 1.6 million). These are also all short-term. The pension provisions are disclosed in note [26] and valued 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 recognized in the fiscal year in accordance with Sec. 314 (1) No. 9 HGB break down as follows:

EUR000	**31/7/2008**	31/7/2007
Audits of financial statements	**828**	698
Other assurance services	**6**	64
Tax advisory services	**211**	146
Other services	**1,002**	453
	2,047	1,361

[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 2007/08. It is made permanently accessible to the shareholders at the homepage www.porsche-se.com.

Stuttgart, 20 October 2008

Porsche Automobil Holding SE

The Executive Board

Dr. Wendelin Wiedeking Holger P. Härter

Responsibility statement

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, 20 October 2008

Porsche Automobil Holding SE

The Executive Board

Dr. Wendelin Wiedeking Holger P. Härter

Auditors’ report of the group auditor

“We have audited the consolidated financial statements, comprising the balance sheet, the income statement, the statement of cash flows, statement of changes in shareholders' equity as well as the notes to the financial statements - and the combined management report prepared by Porsche Automobil Holding SE, Stuttgart, for the fiscal year from 1 August 2007 to 31 July 2008. The preparation of the consolidated financial statements 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 Company’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 the 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.”

Stuttgart, 20 October 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Oesterle	Strähle
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[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)

Uwe Hück
1) Dr. Ing. h.c. F. Porsche AG, Stuttgart

Hans Baur
1) Dr. Ing. h.c. F. Porsche AG, Stuttgart (deputy chairman)
Alcatel-Lucent Deutschland AG, Stuttgart
Berthold Leibinger GmbH, Ditzingen

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, Basel

Wolfgang Leimgruber
1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
2) Porsche France S.A., Boulogne-Billancourt

Dr. techn. h.c. 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

Walter Uhl
1) Dr. Ing. h.c. F. Porsche AG, Stuttgart

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, Wien

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)

Hansjörg Schmierer
1) Dr. Ing. h.c. F. Porsche AG, Stuttgart
Berthold Leibinger GmbH, Ditzingen
Mahle GmbH, Stuttgart

Werner Weresch
1) Dr. Ing. h.c. F. Porsche AG, Stuttgart

(Disclosures pursuant to Sec. 285 Sentence 1 No 10 HGB)
As of: 31 July 2008 or the date on which members left the or 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

Dr. Wendelin Wiedeking

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, Basel

Holger P. Härter

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)

Klaus Berning

(until 13 November 2007)

2) Porsche Cars North America Inc., Wilmington
Porsche Enterprises Inc., Wilmington
Porsche Financial Services 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 Deutschland GmbH, Bietigheim-Bissingen
Porsche Financial Services GmbH, Bietigheim-Bissingen
Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen (chairman)

Wolfgang Dürheimer

(until 13 November 2007)

2) Porsche Engineering Group GmbH, Weissach (chairman)
Porsche Engineering Services GmbH, Bietigheim-Bissingen (chairman)
PIKS Porsche-Information-Kommunikation-Services GmbH, Stuttgart

Thomas Edig

(until 13 November 2007)

2) Porsche Consulting GmbH, Bietigheim-Bissingen
Porsche Consulting Italia S.r.l., Mailand
Porsche Leipzig GmbH, Leipzig
Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH, Freiberg/N.

Michael Macht

(until 13 November 2007)

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

Balance sheet of Porsche Automobil Holding SE as of 31 July 2008[1]

	EUR000	31/7/2008	31/7/2007
Assets	Fixed assets		
	Intangible assets	**0**	478,502
	Property, plant and equipment	**0**	1,191,918
	Financial assets	**9,104,066**	6,041,019
		9,104,066	7,711,439
	Current assets		
	Inventories	**0**	315,892
	Trade receivables	**0**	742,617
	Other receivables and assets	**12,639,380**	4,093,150
	Securities	**2,500,000**	1,800,572
	Cash and cash equivalents	**6,029,864**	2,200,766
		21,169,244	9,152,997
	Prepaid expenses	**1**	13,240
		30,273,311	16,877,676
Equity and liabilities	Equity		
	Subscribed capital	**175,000**	45,500
	Capital reserves	**121,969**	121,969
	Retained earnings	**6,974,003**	4,332,978
	Net profit available for distribution	**2,190,000**	965,000
		9,460,972	5,465,447
	Provisions		
	Pension provisions	**5,655**	572,388
	Sundry provisions	**2,110,801**	2,559,085
		2,116,456	3,131,473
	Liabilities		
	Liabilities to banks	**9,873,436**	2,000,000
	Payments received on account of orders	**0**	538
	Trade payables	**19**	331,003
	Sundry liabilities	**8,822,428**	5,946,516
		18,695,883	8,278,057
	Deferred income	**0**	2,699
		30,273,311	16,877,676

[1] The financial statements of Porsche SE have been prepared in accordance with German accounting standards (HGB) and are published in the elektronischer Bundesanzeiger (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 2007 to 31 July 2008

EUR000	2007/08	2006/07
Revenue	**128**	6,169,457
Changes in inventories and own work capitalized	**0**	63,154
Total operating performance	**128**	6,232,611
Other operating income	**8,344,835**	5,465,949
Cost of materials	**– 3**	– 3,332,775
Employee benefits expense	**– 51,486**	– 1,031,763
Amortization and depreciation	**0**	– 357,949
Other operating expenses	**– 3,682,304**	– 4,118,938
Income from investments	**1,894,727**	205,195
Interest income, net	**– 288,897**	– 144,330
Income from ordinary activities	**6,217,000**	2,918,000
Taxes	**– 1,837,000**	– 988,000
Net profit	**4,380,000**	1,930,000
Transfer to retained earnings	**– 2,190,000**	– 965,000
Net profit available for distribution	**2,190,000**	965,000

Significant equity investments

		Share in capital %	Net income[1] EUR000	Revenue[1] EUR000	Employees[2]
Fully consolidated entities – Germany	Dr. Ing. h.c. F. Porsche AG, Stuttgart	100	1,228,000[3]	6,247,452	8,478
	Porsche Consulting GmbH, Bietigheim-Bissingen	100[4]	11,178[3]	51,118	190
	Porsche Deutschland GmbH, Bietigheim-Bissingen	100[4]	36,898[3]	1,068,642	102
	Porsche Leipzig GmbH, Leipzig	100[4]	1,913[3]	71,593	466
	Porsche Engineering Group GmbH, Weissach	100[4]	2,449[3]	39,772	28
	Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen	65.0[4]	4,215	50,163	51
	Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH, Freiberg am Neckar	74.8[4]	8,257	68,576	411
	Porsche Financial Services GmbH & Co. KG, Bietigheim-Bissingen	100[4]	– 15,330[3]	352,591	0
Fully consolidated entities – other countries	Porsche Iberica S.A., Madrid, Spain	100[4]	5,066	147,954	46
	Porsche Italia S.p.A., Padua, Italy	100[4]	9,313	366,956	68
	Porsche France S.A., Boulogne-Billancourt, France	100[4]	7,121	209,580	42
	Porsche Cars Great Britain Ltd., Reading, UK	100[4]	31,184	493,793	106
	Porsamadrid S.L., Madrid, Spain	100[4]	– 59	53,885	103
	Porsche Distribution S.A.S., Levallois-Perret, France	100[4]	2,188	71,548	80
	Porsche Retail Group Ltd., Reading, UK	100[4]	4,011	241,264	287
	Porsche Cars North America, Inc., Wilmington/Delaware, USA	100[4]	51,076	1,570,746	243
	Porsche Cars Canada Ltd., Toronto/Ontario, Canada	100[4]	1,455	118,382	13
	Porsche Liquidity LLC, Wilmington/Delaware, USA	100[4]	3,187	128,608	0
	Porsche Capital LLC, Wilmington/Delaware, USA	100[4]	240	86,200	0
	Porsche Japan K.K., Tokyo, Japan	100[4]	6,881	250,764	47
	Porsche Cars Australia Pty, Ltd., Collingwood, Australia	100[4]	6,135	132,025	36
	Porsche Retail Group Australia Pty, Ltd., Collingwood, Australia	100[4]	1,731	83,252	83
	Porsche Middle East FZE, Dubai, United Arab Emirates	100[4]	9,921	288,215	24
	Porsche Russland OOO, Moscow, Russia[5]	100[4]	5,024	217,586	45
	Porsche Center Moscow OOO, Moscow, Russia[5]	100[4]	135	19,300	64
Entity accounted for using the equity method	Volkswagen AG, Wolfsburg[5]	22.3[6]	1,455,000	55,218,000	90,468

1 Net income for the year from financial statements prepared in accordance with local law or net income before profit transfer for the fiscal year from 1 August 2007 to 31 July 2008. Net income and revenue denominated in foreign currency were translated at the average annual exchange rate.

2 Number of employees as of the end of the fiscal year.

3 Before profit transfer (net income incl. tax allocation).

4 Indirect equity investment.

5 Financial statements as of 31 December 2007.

6 Share of the ordinary and preference shares issued by Volkswagen as of 31 July 2008.


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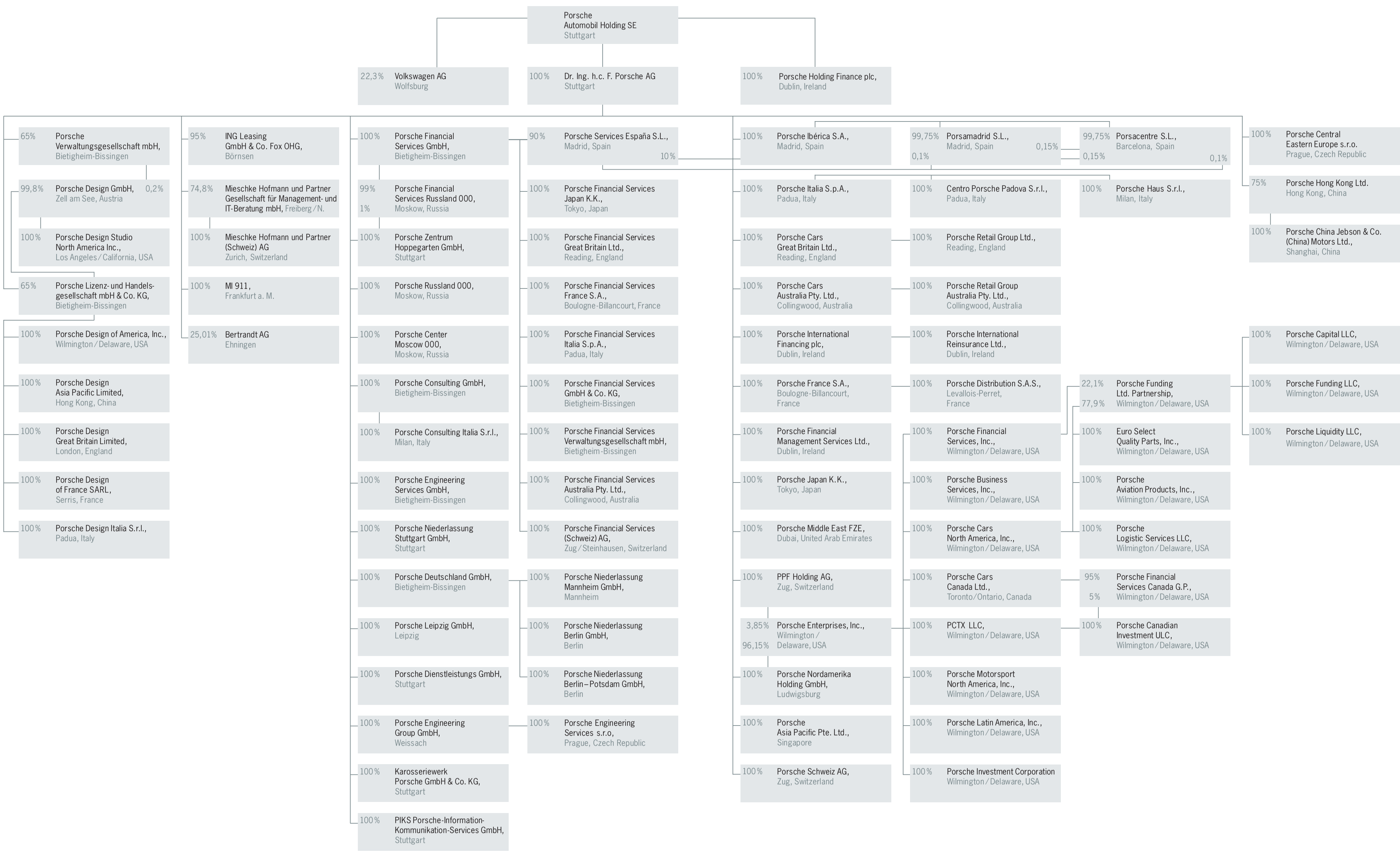
Overview of the Porsche Group (Capital Investment)
as of July 31, 2008

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