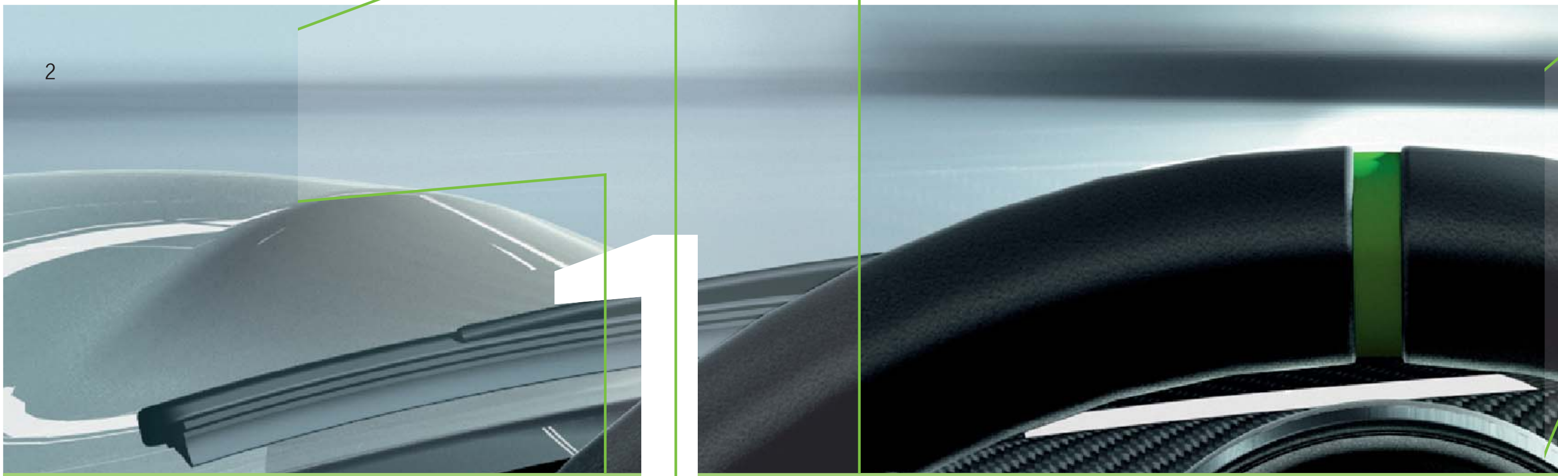
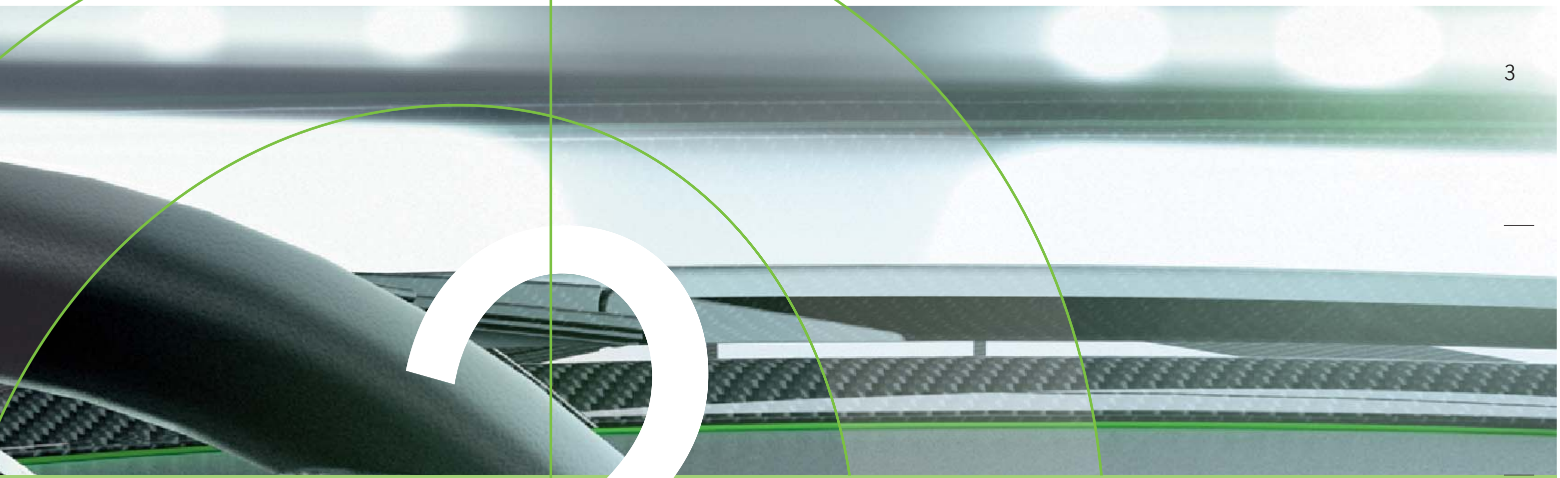
Porsche Automobil Holding SE

Separate financial statements 2009/10



1



2

1 The company

Group management report and management report of Porsche Automobil Holding SE

Significant events

Porsche SE acts as a holding company

Since early December 2009, Porsche Automobil Holding SE ("Porsche SE") has essentially been functioning as a holding company for its investments in Volkswagen Aktiengesellschaft, Wolfsburg, ("Volkswagen AG") and Porsche Zwischenholding GmbH, Stuttgart. The investments in the Volkswagen group (Volkswagen AG and its subsidiaries) and in the Porsche Zwischenholding GmbH group (Porsche Zwischenholding GmbH as well as Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, ("Porsche AG") and its subsidiaries) were included in the consolidated financial statements of Porsche SE until early December 2009 by means of full consolidation. The Volkswagen group was deconsolidated with effect as of 3 December 2009, and the Porsche Zwischenholding GmbH group was deconsolidated with effect as of 7 December 2009. The following factors were decisive for their deconsolidation:

Volkswagen AG's annual general meeting on 3 December 2009 adopted a resolution to incorporate a delegation right for the German State of Lower Saxony into Volkswagen AG's articles of association. This delegation right allows the State of Lower Saxony to appoint two members to the supervisory board of Volkswagen AG as long as it directly or indirectly holds 15 percent or more of the ordinary shares in Volkswagen AG. The incorporation of the delegation right was agreed to by Porsche SE and Volkswagen AG in the basic agreement on the creation of an integrated automotive group between Porsche SE and Volkswagen AG. The resolution to include the delegation right and the resulting structure of the supervisory board of Volkswagen AG prevents the Volkswagen group from being included in Porsche SE's consolidated financial statements by means of full consolidation. Porsche SE no longer has control as defined by the International Financial Reporting Standards (IFRSs). As Porsche SE still has significant influence as defined by IFRSs on Volkswagen AG, the company is included in the consolidated financial statements of Porsche SE as an associate accounted for at equity since 3 December 2009.

After the Porsche business operations had been transferred with legal effect to a (new) company Porsche AG, Volkswagen AG made an investment in the (new) company Porsche AG on 7 December 2009 via a newly established intermediate holding company (Porsche Zwischenholding GmbH). Due to the rulings established in the implementing agreements to the basic agreement and in the articles of association of Porsche Zwischenholding GmbH, Porsche SE lost control of this company under IFRSs despite the fact that it holds the majority of voting rights of 50.1 percent. Consequently, the Porsche Zwischenholding GmbH group was deconsolidated on 7 December 2009 and has been accounted for at equity as a joint venture of Porsche SE and Volkswagen AG since that date.

Basic agreement on the creation of an integrated automotive group

As presented in the above section “Porsche SE acts as a holding company” the first steps provided for in the basic agreement on the creation of an integrated automotive group were taken already at the end of November/beginning of December 2009 by means of the resolution adopted by Volkswagen AG’s annual general meeting on the incorporation in Volkswagen AG’s articles of association of the State of Lower Saxony’s right to appoint supervisory board members and Volkswagen AG’s indirect investment in Porsche AG.

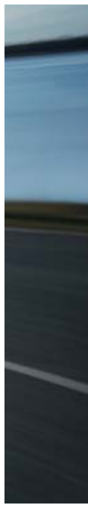
Volkswagen AG’s annual general meeting on 3 December 2009 also adopted a resolution, as provided for by the basic agreement, confirming the blocking minority of twenty percent stipulated by the articles of association of Volkswagen AG and the authorization to issue up to 135 million new preference shares with subscription rights for all shareholders of Volkswagen AG. Volkswagen AG then increased its share capital by a notional amount of around 166.2 million euro in March 2010 by issuing approximately 65 million new preference shares, generating total net issue proceeds of approximately 4.1 billion euro in March and April.

For the first half of 2011 the basic agreement provides for a capital increase to be performed at Porsche SE. The Porsche and Piëch families have entered into a commitment towards Porsche SE within the framework of the overall concept of the basic agreement to subscribe – under certain circumstances – to the new ordinary shares from this capital increase for a total subscription price of an estimated 2.5 billion euro assuming specific conditions are met.

Plans are to reach the final stage in creating an integrated automotive group, namely the merger between Porsche SE and Volkswagen AG, after the capital increase at Porsche SE.

From today's perspective it remains uncertain whether the timetable for the merger provided for in the basic agreement can be met. The legal and tax assessment of the complex transaction to be made in accordance with the basic agreement has not yet been completed. This is due to external factors, among them the fact that the tax framework for the merger is not yet set. Further, with regard to the damages claims filed in the US against Porsche SE and the damages claims raised by certain funds in Germany against Porsche SE (for both matters please refer to section “Litigation risk” under “Opportunities and risks of future development” in this management report), at the current stage of those proceedings, no final assessment of the consequences of those claims for the merger is possible. The executive board of Porsche SE currently assumes that a successful clarification of the current uncertainties is possible and hence the merger will take place, even though possibly not within the ambitious timetable provided for in the basic agreement.

Under the basic agreement Porsche SE and Volkswagen AG granted each other put and call options for the remaining 50.1 percent share of Porsche Zwischenholding GmbH, which is held in trust on behalf of Porsche SE. These options can be exercised at defined times within the period from 15 November 2012 to 31 January 2015 in the event that the merger resolutions required from the general meetings of Porsche SE and Volkswagen AG are not adopted by 31 December 2011 or, where they have been adopted, if approval proceedings have been unsuccessful and claims filed continue to prevent registration of the merger.



Enlargement of the executive board of Porsche SE

Prof. Dr. Martin Winterkorn, chairman of the board of management of Volkswagen AG, and Hans Dieter Pötsch, CFO of Volkswagen AG, joined Porsche SE's executive board as of 25 November 2009, while maintaining their previous responsibilities at Volkswagen. Prof. Winterkorn now chairs the executive board and Mr. Pötsch is the CFO. Their joining has enlarged the executive board, which also comprises Thomas Edig, deputy chairman of the executive board of Porsche AG and board member for human ressources and social issues and labor director at Porsche AG. Michael Macht was a member of Porsche SE's executive board until 30 September 2010 and also held the position of CEO at Porsche AG until that date. From 1 October 2010 onwards Mr. Macht is now member of Volkswagen AG's board of management (Group Production).

Considerably improved liquidity situation

The Porsche SE group's liquidity situation has improved significantly since 31 July 2009. There were primarily three decisive factors in this respect.

A significant portion of the cash-settled options relating to Volkswagen AG shares was sold to Qatar Holding LLC shortly after the end of the fiscal year 2008/09. This led to the revocation of the restrictions on the power to dispose of the existing sight and fixed-term deposits. In sum, the sale led to an increase of more than 1 billion euro in available liquidity.

In addition, the cash contribution of some 3.9 billion euro in connection with Volkswagen AG's investment in Porsche Zwischenholding GmbH was passed through to Porsche SE as a loan. The cash received was mostly used to reduce Porsche SE's liabilities to banks. In this context an agreement was reached with a banking syndicate in December 2009 on replacing the line of credit of some 10.8 billion euro agreed in March 2009. The total credit line available to Porsche SE now amounts to 8.5 billion euro, split into a tranche of 2.5 billion euro expiring on 30 June 2011 and two further tranches expiring on 31 December 2012. Of this 8.5 billion euro, only 7 billion euro has currently been utilized, which means that Porsche SE still has an unused line of 1.5 billion euro.

For further details we refer to the section on “Liquidity risk” under “Opportunities and risks of future development” in this management report.

Strategic investor Qatar

As early as 14 August 2009, Porsche SE had already satisfied another condition of the basic agreement on the creation of an integrated automotive group, by selling a significant portion of the cash-settled options relating to shares in Volkswagen AG to Qatar Holding LLC. The transaction provided Porsche SE with more than 1 billion euro in cash, which had been used as collateral for the cash-settled options until this date. Furthermore, in September 2009 Qatar Holding LLC had participated with an amount of 265 million euro in Porsche SE's syndicated loan, which was replaced in November 2009 by a new financing arrangement. Qatar Holding LLC also participated in this loan. At the same time, Qatar Holding LLC acquired an indirect ten percent share in the ordinary shares of Porsche SE.

Porsche SE plans to sell the remaining cash-settled options relating to shares in Volkswagen AG it still helds as of the end of the reporting period that relates to about two percent of Volkswagen AG's ordinary shares.

Successful capital increase at Volkswagen AG

By issuing approximately 65 million new preference shares, Volkswagen AG increased its share capital by a notional amount of around 166.2 million euro in March 2010, generating total net issue proceeds of approximately 4.1 billion euro in March and April 2010. On 23 March 2010, the board of management of Volkswagen AG resolved, with the consent of the supervisory board, to implement a capital increase against cash contributions with the preemptive rights for ordinary and preference shareholders, in part by utilizing the existing authorized capital. The new shares carry full dividend rights retrospectively from 1 January 2009. The transaction – the world's largest publicly placed capital increase in the automotive sector – met with substantial interest, especially from institutional investors. With the consent of the supervisory board, the board of management set the subscription price at 65.00 euro on 25 March 2010; the subscription ratio was 37:6.

The issue proceeds are intended to improve the Volkswagen group’s capitalization in preparation for the creation of an integrated automotive group with Porsche. Additionally, this transaction is designed to strengthen Volkswagen’s financial stability and flexibility and to enable Volkswagen to maintain its existing credit rating.

Porsche SE did not participate in this capital increase. This diluted Porsche SE's share of Volkswagen AG's total capital from 37.4 percent to 32.2 percent. Porsche SE’s 50.7 percent share in Volkswagen AG's ordinary shares, however, remained unchanged. The capital increase gave rise to a non-cash expense of around minus 1.4 billion euro for the Porsche SE group (Porsche SE and its subsidiaries).

Significant events at the Porsche Zwischenholding GmbH group

On 7 December 2009, Volkswagen AG assumed a 49.9 percent shareholding in Porsche Zwischenholding GmbH by means of a capital increase. Please refer in this regard to our comments in the section “Porsche SE acts as a holding company”.

At the end of November 2009 Porsche AG secured a new operating line of credit with a banking syndicate. The revolving line of up to 2.5 billion euro replaced the previous credit line held by Porsche AG. It ensures that there is sufficient financial headroom at customary market conditions for the development of the operating business through 31 December 2012.

Matthias Müller was appointed as the new CEO of Porsche AG on 6 July 2010 by Porsche AG’s supervisory board effective as of 1 October 2010. He had previously been the head of product planning, product management and model series of the Volkswagen group and the Volkswagen brand. Matthias Müller is taking over from Michael Macht at Porsche AG, who left the executive board effective as of 30 September. Michael Macht was appointed by Volkswagen AG’s supervisory board to the board of management of Volkswagen AG. He will be in charge of Group Production in Wolfsburg in future.

The supervisory board appointed Bernhard Maier as a member of Porsche AG’s executive board on 19 April 2010. Previously CEO of Porsche Deutschland GmbH, Bietigheim-Bissingen, Bernhard Maier assumed responsibility for sales and marketing with immediate effect. His predecessor in this position, Klaus Berning, had left the company of his own volition.

At its meeting on 6 November 2009, Porsche AG’s supervisory board appointed Lutz Meschke to the executive board of Porsche AG. Lutz Meschke, previously head of corporate controlling at Porsche AG, assumed the position as executive vice president – finance and procurement / CFO with immediate effect. This portfolio had been assumed temporarily by the entire executive board when the former CFO Holger Härter stepped down on 23 July 2009.

After an extraordinary general meeting at Porsche AG adopted a resolution to enlarge the supervisory board to 20 members, the newly formed board held its constitutive meeting on 19 April 2010. Dr. Wolfgang Porsche remained the chairman of the supervisory board and Uwe Hück was reelected as his deputy. The new members of the board are Prof. Dr. Martin Winterkorn, CEO of Volkswagen AG and CEO of Porsche SE, Hans Dieter Pötsch, member of the

board of management of Volkswagen AG and member of the executive board of Porsche SE, Dr. Francisco Javier Garcia Sanz, member of the board of management of Volkswagen AG, Christian Klingler, member of the board of management of Volkswagen AG, and Prof. Dr. Horst Neumann, member of the board of management of Volkswagen AG. The members reappointed to Porsche AG's supervisory board as shareholder representatives were Dr. Wolfgang Porsche, Prof. Dr. Ferdinand K. Piëch, Dr. Ferdinand Oliver Porsche, Hans-Peter Porsche and Dr. Hans Michel Piëch. Ferdinand Piëch jr., Prof. Dr. Ulrich Lehner and Josef Ahorner are no longer on the supervisory board of Porsche AG.

The following employee representatives remained on the supervisory board: Uwe Hück, Werner Weresch, Antonio Girone, Walter Uhl, Rolf Frech, Jürgen Kapfer, Hans Baur and Hansjörg Schmierer. As a result of the enlargement, Günther Magerer, deputy chairman of the works council of Porsche AG and member of the works council of Porsche SE, and Kai Bliesener, press spokesman of the IG Metall Baden-Württemberg trade union, joined the supervisory board as additional employee representatives.

In addition to Dr. Wolfgang Porsche and Uwe Hück, the board also elected Dr. Hans Michel Piëch, Prof. Dr. Martin Winterkorn, Hans Dieter Pötsch representing shareholders and Hans Baur, Werner Weresch and Walter Uhl representing the employees onto the supervisory board's standing committee.

Significant events at the Volkswagen group

Volkswagen AG held an extraordinary general meeting at Hamburg Messe on 3 December 2009. With a majority of 98.73 percent of votes cast, the shareholders approved the creation of the authorized capital provided for in the basic agreement for the issue of a total of up to 135 million new, non-voting preference shares (including the corresponding amendments to the articles of association). The general meeting further passed a resolution, as provided for in the basic agreement, granting the State of Lower Saxony the right to appoint two members to the supervisory board of Volkswagen AG and confirming the provision of the articles of association under which resolutions of the annual general meeting requiring a qualified majority need a majority of 80 percent of the share capital represented in the voting on the resolution. Finally, the general meeting elected Dr. Hans Michel Piëch and Dr. Ferdinand Oliver Porsche to the supervisory board and decided to adapt the articles of association to the German Act Implementing the Shareholders Rights Directive (ARUG).

Volkswagen AG's 50th annual general meeting and the 9th special meeting of preference shareholders were held at the Congress Center Hamburg on 22 April 2010. With 91.1 percent of ordinary share capital present, the ordinary shareholders of Volkswagen AG formally approved the actions of the board of management and the supervisory board, the authorization to issue bonds with warrants and/or convertible bonds (including the creation of appropriate contingent capital and the corresponding amendment to the articles of association) and the remuneration system for the members of the board of management. In addition, they approved the conclusion of intercompany agreements. Roland Oetker stepped down from his position on Volkswagen AG's supervisory board as of the end of the annual general meeting; the annual general meeting elected Dr. Hussain Ali Al-Abdulla as his successor for a full term of office. Jörg Bode was also elected to the supervisory board for a full term of office. Mr. Bode had already been appointed as a member of the supervisory board of Volkswagen AG by the court on 4 November 2009 as the successor to Dr. Philipp Rösler. The annual general meeting also resolved to pay a dividend of 1.60 euro per ordinary share and 1.66 euro per preference share for fiscal year 2009.

28.6 percent of the preference share capital was represented at the special meeting of preference shareholders. A proposal had been made to this meeting to approve the authorizing resolution by the annual general meeting on the same day to issue bonds with warrants and/or convertible bonds (contingent capital). This was approved by a majority of 92.6 percent.

On 9 December 2009, Volkswagen AG and Suzuki Motor Corporation, Tokyo, Japan, signed a master agreement to begin a long-term strategic partnership. Effective as of 15 January 2010, Volkswagen acquired 19.89 percent of Suzuki shares for 1.7 billion euro. The relevant authorities have approved the transaction. Following the exercise of outstanding convertible bonds of other investors, Volkswagen's interest in Suzuki declined to 19.37 percent, but was restored to 19.89 percent as of 30 June 2010 by purchasing additional shares.

The Volkswagen group and Italdesign Giugiaro S.p.A. (“IDG”), Turin, Italy, will intensify their successful cooperation spanning several decades and place it on a new footing. In this context, the Volkswagen group acquired a 90.1 percent interest in IDG, including brand name rights and patents. The shares were acquired by Automobili Lamborghini Holding S.p.A., a subsidiary of AUDI AG; the remaining shares will be retained by the Giugiaro family, who have owned the company to date. In IDG, Volkswagen is investing in a highly renowned design and development company with one of the richest traditions in the automotive industry. In the 1970s, Giugiaro’s Golf I design laid down a new marker for the design language of Volkswagen models.

The Volkswagen group is increasing its ongoing investment program in China by 1.6 billion euro in response to the dynamic growth in the Chinese automotive market. The group aims to maintain and further extend its leading position in one of the most important sales markets in the automotive industry by investing a total of 6 billion euro in the period to 2012. As part of its long-term growth strategy, the group will double production capacity in China each year to around three million vehicles by 2013/14. The investment program will be funded from the cash flow of the Shanghai Volkswagen and FAW-Volkswagen joint ventures. Volkswagen has also signed contracts to construct two further production facilities in China. According to current forecasts, the new plants in Foshan and Yizheng will begin vehicle production from 2013 and will each employ around 4,000 people. The maximum annual capacity at each plant is designed to be 300,000 vehicles. Both locations will comprise full production with a press shop, body construction, a paint shop and assembly facilities.

The Volkswagen group is also extending its activities in South Africa as part of its Strategy 2018. The Uitenhage plant will therefore be strengthened by investing approximately 50 million euro to renew and expand the press shop. In addition, a new logistics center in Centurion near Pretoria, in which a further 23 million euro was invested, was opened in June 2010. These investments will enable Volkswagen to further extend its position as the market leader in South Africa.

Volkswagen is also expanding its production capacity in Mexico. Following the opening of a new section in July 2010, the Puebla plant is now one of the group's largest production facilities with an annual capacity of 525,000 vehicles. The group has additional plans to invest up to 1 billion US dollars in Mexico in the next three years.

David McAllister, Minister-President of the Federal State of Lower Saxony, was appointed by the court as a member of the supervisory board of Volkswagen AG on 1 July 2010. He succeeds Christian Wulff, who was elected Federal President on 30 June 2010 and therefore left the supervisory board.

Business development

Back on track for growth

In 2010 the global economy began to recover from the worst recession seen in the past few decades and returned to growth. According to a forecast by the International Monetary Fund (IMF) the global economy is likely to grow by 4.6 percent by the end of the calendar year. The driving forces behind the rapid upwards development are China and India, while impetus is also coming from Brazil. The leading industrialized countries to record the largest growth in the reporting period were the USA and Canada. In Europe, Germany was able to benefit from the global economic recovery through its traditionally high share of exports. In contrast, the southern EU member states Greece, Italy, Spain and Portugal in particular suffered from the effects of their considerable budget deficits. On the whole, the upswing in Europe was moderate compared to the growing markets of Asia and America.

The severe crisis that the global economy has been through had a range of effects on the international automotive markets in the reporting period. Whereas many EU states used government incentives in the form of tax reductions or an environmental bonus to stabilize the overall level of sales, eastern Europe saw a dramatic slump in vehicles sales. The United States initially also saw a rapid downward spiral until the North American market started to recover in 2010. By contrast, the Asian emerging countries China and India along with Brazil in South America continued to record high growth rates. Manufacturers of small and compact cars benefitted to a much greater extent from government stimulus programs than the manufacturers of expensive luxury vehicles.

The following statements on sales, production, financial services and employees only take into consideration operating developments at the Porsche Zwischenholding GmbH group, comprising Porsche AG and its subsidiaries, and at the Volkswagen group, and do not take into account the Porsche SE group.

Significant rise in total unit sales

The Porsche Zwischenholding GmbH group increased its unit sales by 8.8 percent to 81,850 vehicles in the fiscal year 2009/10. This success also reflects the successful debut of Porsche's fourth model: the Gran Turismo Panamera, launched on markets worldwide in September 2009, achieved unit sales of 20,615 vehicles by 31 July 2010. The eight-cylinder models, the first to be introduced, reached a total of 17,110 vehicles and the six-cylinder models that followed in May 2010 came to 3,505 vehicles in total. The Cayenne remained the best selling model series, with unit sales reaching 29,855 vehicles. Despite the generation change in the sporty off-roader made in the spring of 2010, this is a decrease of just 12.9 percent. The newest Cayenne, available on the market since May 2010, already accounted for 11,618 vehicles sold. Overall, sales of the Cayenne in the reporting period break down into 12,130 vehicles with six-cylinder gasoline engines, 11,495 vehicles with eight-cylinder engines and 6,230 vehicles with diesel engines.

Sales of the 911 model series remained impacted by the difficult economic conditions that continued to prevail in the sports cars market environment. Unit sales fell by 27.4 percent to 19,663 vehicles for the period from 1 August 2009 to 31 July 2010. Nevertheless, Porsche was able to sell a total of 4,055 of the new 911 Turbo and the 911 Turbo S, which were available at dealers from November 2009 and May 2010 respectively. Unit sales of vehicles from the Boxster model series, including the Cayman models, dropped 10.8 percent to 11,717 vehicles. Of these, 6,865 vehicles were Boxster vehicles and 4,852 Cayman vehicles.

The Volkswagen group was also able to increase its unit sales. In the first six months of 2010 in particular business developed much better than expected.

Due to the diverging fiscal year of the Volkswagen group, unit sales and production figures are given separately below for the first half of the Porsche SE fiscal year (including Volkswagen from 1 July to 31 December 2009, "first half of the year") and for the second half of the Porsche SE fiscal year (including Volkswagen from 1 January to 30 June 2010, “second half of the year”).

1,940,138 of the 3,566,121 vehicles sold around the globe in the second half of the year were from the Volkswagen passenger car brand (first half of the year: 1,808,766 out of a total of 3,302,144 vehicles sold). The Polo, New Beetle, Tiguan, Touareg, the Golf derivatives and the Jetta and Passat versions available in China saw the highest growth rates.

The Audi brand achieved unit sales of 615,769 vehicles for the period from 1 July to 31 December 2009, and 660,458 vehicles for the period from 1 January to 30 June 2010. While demand for the Audi A4 allroad quattro, Audi Q5 and Audi Q7 models was particularly high in this period, the new Audi A5 Sportback and the new Audi A8 were also very popular with customers. Audi’s sales figures include the numbers for the Lamborghini brand. The Škoda brand sold 298,234 vehicles between 1 January and 30 June 2010, compared with 289,244 vehicles in the first half of the year. Demand for the Octavia and Superb saloon models and the new Superb Estate and Yeti models showed growth in the second half of the year. In the fiscal year 2009/10 186,042 SEAT vehicles were sold in the second half of the year and 161,118 vehicles in the first half of the year. Demand for the Exeo model was particularly strong in the second half of the year.

Volkswagen commercial vehicles sold 159,141 vehicles in the second half of the year after 140,099 vehicles in the first half of the year. The sales figures for Scania were 22,776 vehicles in the first half of the year, followed by 28,321 vehicles in the second half of the year.

Regional differences

The development of the Porsche Zwischenholding GmbH group’s unit sales in the reporting period varied between the different regions of the world. Outside its traditional markets of Europe and the Americas, unit sales enjoyed strong growth of 25.8 percent to 25,283 vehicles. The Chinese market alone accounted for 11,724 units, up 47.5 percent on the prior-year period. With the Panamera, Porsche offers a sporty product in the four-door, four-seater sedan segment which is seeing particularly high demand among Chinese customers.

However, Porsche also recorded growth in unit sales in Europe over the period from 1 August 2009 to 31 July 2010, totaling 1.4 percent to 30,948 vehicles; 11,857 thereof were sold in Germany. That is 3.5 percent less than in the prior-year period. The Porsche brand made a rapid return to growth in North America: as of the middle of the fiscal year 2009/10 unit sales were down some 15.5 percent on the prior-year period but managed to record 4.6 percent growth to 23,705 vehicles as of 31 July 2010. In the Americas as a whole, unit sales reached 25,619 vehicles (up 4.0 percent).

The Volkswagen group sold 1,857,918 vehicles in the period from 1 January to 30 June 2010 in the Europe/other markets region (first half of the year: 1,730,018 vehicles). 265,060 units were sold in North America (first half of the year: 238,595 vehicles). In the South American markets, Volkswagen sold a total of 427,394 vehicles in the second half of the year (first half of the year: 434,245 vehicles). The Volkswagen group’s unit sales in markets in the Asia-Pacific region (including the Chinese joint ventures) amounted to 1,015,749 units in the second half of the year after 899,286 vehicles in the first half.

Production expanded

In the reporting period, 89,123 vehicles were produced in the Porsche Zwischenholding GmbH group, an increase of 16.1 percent in comparison to the prior-year period. Over the period from 1 August 2009 to 31 July 2010, 32,215 units of the Cayenne left the Leipzig factory, 1.3 percent fewer vehicles than in the comparative prior-year period due to the generation change in the Cayenne model series. 24,494 of the new Panamera have already been produced. At the plant in Zuffenhausen, a 27.4 percent reduction in production of the 911 model series resulted in 20,159 units being produced. Production of the Boxster (including the Cayman models) series decreased 14.9 percent to 12,255 units. In Finland, the number of vehicles produced fell by 38.7 percent to 7,518 units. Here it should be considered that some Boxster models have been manufactured in Zuffenhausen since February 2009. The inventories in the Porsche Zwischenholding GmbH group increased compared to 31 July 2009.

The Volkswagen group produced 3,586,070 vehicles over the period from 1 January to 30 June 2010, after 3,232,180 vehicles in the period from 1 July to 31 December 2009. As of 30 June 2010 inventories at group companies and in the retail organization around the world were lower than as of year-end 2009, but above the level recorded on 30 June 2009.

Financial services in demand

Porsche Financial Services offers a comprehensive range of financial services to meet all of the customers' needs with leasing, financing, Porsche insurance services and the Porsche Card.

Porsche financial services companies have been established in all major markets. With around 31,000 new contracts, the individual companies managed more than 80,000 financial services contracts throughout the world in the fiscal year 2009/10. In addition to this, around 13,000 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 the Porsche insurance services with the Porsche CarPolicy and the Porsche CarPolicy S. Both services allow customers to provide for risks tailored to the value of their vehicle. This applies equally to third-party liability, fully comprehensive and third party, fire and theft insurance. Porsche insurance services has been working successfully for years with HDI-Gerling Firmen- und Privatversicherung AG, and enjoys the trust of some 20,000 satisfied Porsche drivers.

The innovative products offered by Volkswagen's financial services along the automotive value chain met with good response from customers, enabling Volkswagen financial services to make another positive contribution to the Volkswagen group's sales situation.

With its "environment program", Volkswagen Leasing GmbH is leading the way in environmentally compatible fleet management. It offers finance leases for group models with reduced CO_2 emission and, in cooperation with the Volkswagen group brands, makes a contribution to Naturschutzbund Deutschland e.V. (Nature and Biodiversity Conservation Union), which is used entirely to finance conservation and environmental projects.

In the period from 1 January to 30 June 2010, the number of new contracts concluded in the financing, leasing and insurance business came to 1.3 million after 1.6 million in the period from 1 July to 31 December 2009.

Volkswagen Bank direct managed 1.3 million accounts as of 30 June 2010. As of the same date, the LeasePlan joint venture managed around 1.3 million vehicles.

New jobs

As of 31 July 2010, the Porsche SE group had 37 employees (as of 31 July 2009, prior to deconsolidation of the Porsche Zwischenholding GmbH group and the Volkswagen group: 375,959 employees).

As of 31 July 2010, the headcount at the Porsche Zwischenholding GmbH group of 12,722 employees was up 1.0 percent on the figure seen as of 31 July 2009. The Porsche Zwischenholding GmbH group employed 10,880 people in Germany, or 85.5 percent of the total workforce.

The Volkswagen group had 377,074 employees as of 30 June 2010, 3.8 percent more than as of 30 June 2009 (363,307). The number of people employed in Germany came to 174,434, or 46.3 percent of the total workforce.

Capital market

Overall, the mood on the international stock exchanges improved in the course of the reporting year. The German stock exchange index Dax, which stood at just 5,427 points on 3 August 2009 and therefore on the first trading day in the Porsche fiscal year 2009/10, exceeded the 6,000 points threshold for the first time again just before year-end 2009. It closed at 6,148 points on 30 July 2010, recording growth of 13 percent compared to the end of the prior fiscal year. The Composite Dax (C-Dax) remained stable, recording growth of two percent at the end of the twelve-month period. Porsche SE's preference shares were trading at 46 euro at the beginning of the fiscal year 2009/10, falling slightly to 39 euro by the end of the fiscal year.

Annual document pursuant to Sec. 10 WpPG

The annual document containing the disclosures required by Sec. 10 (1) German Securities Prospectus Act (WpPG) can be viewed at www.porsche-se.com/pho/en/investorrelations.

Implementation of the requirements of the German Corporate Governance Code

In accordance with the declaration of compliance dated 20 November 2009 Porsche SE complies with the recommendations of the German Corporate Governance Code with one exception. The shares in the company and related financial instruments held by members of the company's governing bodies (Sec. 6.6 of the German Corporate Governance Code) will still not be published in the future as complete compliance with statutory publishing requirements provides the capital markets and Porsche SE's shareholders in particular with sufficient information.

The company now discloses the total remuneration of each member of the executive board on an individual basis. Accordingly, the resolutions of the annual general meeting on exemption from individual disclosure of executive board remuneration dating from 2006 and 2007 were revoked by the annual general meeting of Porsche SE on 29 January 2010 with effect for the future. Furthermore, the supervisory board had already established an audit and a nomination committee, as required by the Code.

Moreover, with regard to the current fiscal year, Porsche SE already complies with the recommendation to make the consolidated financial statements publicly accessible within 90 days of the end of the fiscal year and the interim reports within 45 days of the end of the reporting period.

Publication of the declaration of compliance

Porsche SE has issued the declaration of compliance as required by Sec. 289a German Commercial Code (HGB). It can be viewed at www.porsche-se.com/pho/en/investorrelations.

Porsche SE's annual general meeting well-attended

Around 5,700 people attended the annual general meeting of Porsche SE held on 29 January 2010 at the Porsche Arena in Stuttgart. The annual general meeting approved a dividend for the fiscal year 2008/09 of 0.044 euro per ordinary share and 0.050 euro per preference share. The total net profit available for distribution in the fiscal year 2008/09 was thus distributed to the shareholders. After the withdrawal of 1 billion euro from retained earnings, this amounts to 8.23 million euro.

Changes on Porsche SE's supervisory board

The annual general meeting of Porsche SE elected His Excellency Sheik Yassim bin Abdulaziz bin Yassim Al-Thani to the supervisory board of the company. He replaced the former member of the supervisory board, Hans-Peter Porsche, who retired from office effective as of the end of the annual general meeting on 29 January 2010. Sheik Yassim bin Abdulaziz bin Yassim Al-Thani has been appointed for the remaining four-year period of Hans-Peter Porsche's appointment. Qatar Holding LLC holds ten percent of the ordinary shares of Porsche SE through a wholly owned subsidiary Qatar Holding Germany GmbH, Frankfurt am Main. Sheik Yassim bin Abdulaziz bin Yassim Al-Thani is the chairman of the board of Qatar Foundation International, USA, and is also a member of the boards of Qatar National Bank, InvestCorp Bank and Qatar Foundation Endowment Fund.

Change in Porsche SE's fiscal year

With regard to the creation of the integrated automotive group with Volkswagen, the annual general meeting of Porsche SE decided on 29 January 2010 that the fiscal year of the company, which ran from 1 August to 31 July of the following year, should be changed to run concurrently with the calendar year effective 1 January 2011. A short fiscal year will be created for the period from 1 August 2010 to 31 December 2010. In addition, an amendment to the articles of association relating to the business objective of Porsche SE was passed. This makes it possible for Porsche SE to act as a pure holding company, in particular with regard to its investment holding in Volkswagen AG. Both amendments to the articles of association were entered in the commercial register in mid-March 2010, rendering them effective.

Shareholder composition

The share capital of Porsche SE amounts to 175 million euro, and is divided into 87.5 million ordinary shares and 87.5 million listed preference shares, with a pro rata share of capital stock of one euro per no-par value share. Until the end of the previous fiscal year 2008/09, the ordinary shares had been held indirectly exclusively by members of the Porsche and Piëch families. At the beginning of the reporting year, in August 2009, Qatar Holding LLC acquired an indirect shareholding of ten percent of the ordinary shares in Porsche SE.

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

Indices

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

Net assets, financial position and results of operations

The resolution adopted by Volkswagen AG's extraordinary general meeting on 3 December 2009 to include in Volkswagen AG's articles of association the right of the State of Lower Saxony to appoint two members of the supervisory board of Volkswagen AG and the resulting composition of the Volkswagen AG's supervisory board means that the Volkswagen group can no longer be included in the consolidated financial statements of Porsche SE by means of full consolidation. For the purpose of group accounting Porsche SE no longer has control as defined by IFRSs. As a result, the Volkswagen group was deconsolidated effective 3 December 2009 despite the fact that Porsche SE still holds 50.74 percent of the voting rights in Volkswagen AG. Since this point in time, the investment in Volkswagen AG is included at equity in the consolidated financial statements of Porsche SE.

On 7 December 2009, Volkswagen AG assumed a 49.9 percent shareholding in Porsche Zwischenholding GmbH. This shareholding meant that, following the loss of control as defined by IFRSs of Volkswagen AG and taking into account the agreements implementing the basic agreement (including the articles of association of Porsche Zwischenholding GmbH), Porsche SE – despite the fact that it continues to hold a majority of voting rights of 50.1 percent – lost control as defined by IFRSs of Porsche Zwischenholding GmbH, which was consequently deconsolidated as well. Since this date, Porsche Zwischenholding GmbH has likewise been included at equity in the consolidated financial statements of Porsche SE as a joint venture between Porsche SE and Volkswagen AG.

Since deconsolidation of the two former subgroups Porsche and Volkswagen, Porsche SE acts as a holding company. The structural changes in the current fiscal year had considerable effects on the presentation of the net assets, financial position and results of operations of the Porsche SE group. A comparison with the net assets, financial position and results of operations for the fiscal year 2008/09 is therefore possible only to a very limited extent.

Net assets

In comparison to 31 July 2009, the total assets of the Porsche SE group fell by 185,413 million euro to 28,152 million euro due to deconsolidation of the Porsche Zwischenholding GmbH group and the Volkswagen group.

As part of deconsolidation of these two groups, all assets and liabilities, the non-controlling interests and the shares of other comprehensive income attributable to the Volkswagen group and the Porsche Zwischenholding GmbH group were derecognized. Receivables from and liabilities due to the deconsolidated group companies that previously had to be eliminated in the consolidated financial statements of Porsche SE are now once again recorded in the consolidated balance sheet.

The remaining non-current assets of the Porsche SE group totaling 27,026 million euro (31 July 2009: 125,606 million euro) essentially pertain to the shares in Porsche Zwischenholding GmbH (3,621 million euro) and Volkswagen AG (19,086 million euro) accounted for at equity. Other receivables and assets as of the end of the reporting period of 4,319 million euro (31 July 2009: 3,495 million euro) relate primarily to other receivables due from Porsche Zwischenholding GmbH and Porsche AG. Non-current assets expressed as a percentage of total assets increased from 58.8 percent in the prior year to 96.0 percent at the end of the reporting period.

Current assets fell by 86,833 million euro in comparison to 31 July 2009 to 1,126 million euro.

This figure mainly relates to the cash and cash equivalents of Porsche SE and its subsidiaries. As a percentage of total assets, current assets fell from 41.2 percent in the prior year to 4.0 percent as of 31 July 2010 on account of deconsolidation of the Porsche Zwischenholding GmbH group and the Volkswagen group.

As of 31 July 2010, the equity of the Porsche SE group amounted to 15,197 million euro (as of 31 July 2009: 48,479 million euro). This significant drop is attributable in particular to the derecognition of the non-controlling interests due to the deconsolidation of the Volkswagen group and the Porsche Zwischenholding GmbH group. The equity ratio (taking hybrid capital into account) increased from 22.7 percent in the prior year to 54.0 as of 31 July 2010 as total assets had fallen considerably.

Provisions have fallen from 39,342 million euro at the end of the fiscal year 2008/09 to 1,550 million euro due to deconsolidation of the two groups. They mainly contain current income tax provisions of 1,398 million euro.

Financial liabilities fell from 93,621 million euro as of 31 July 2009 to 10,825 million euro on the reporting date. This figure includes liabilities to banks and liabilities to companies belonging to the Porsche Zwischenholding GmbH group of 3,880 million euro. Other liabilities also fell significantly on account of restructuring.

Financial position

The following presentation contains the effects of business operations of the Porsche Zwischenholding GmbH group and the Volkswagen group until their respective date of deconsolidation.

The cash flow from operating activities came to 4,785 million euro in the fiscal year 2009/10 (prior year: 5,148 million euro).

Cash flows of 25,745 million euro were used in investing activities in the fiscal year 2009/10, compared with cash flows of 7,471 million euro received in the prior year. This development is principally due to the cash and cash equivalents of the Volkswagen group and the Porsche Zwischenholding GmbH group disposed of in the course of deconsolidation. Investments in intangible assets, property, plant and equipment and investment property amounted to 3,636 million euro (prior year: 4,638 million euro) and are attributable virtually in their entirety to the deconsolidated Porsche Zwischenholding GmbH group and Volkswagen group. The release of cash that had been restricted as of the prior-year reporting date in connection with the cash-settled stock options for Volkswagen AG shares led to an increase in cash flows from investing activities in the current fiscal year.

While the cash flows of 4,831 million euro received from financing activities in the prior year were attributable primarily to cash received from the issue of bonds, there were various opposing effects in the reporting period that led to a cash outflow from financing activities of 507 million euro. In the course of Volkswagen AG's investment in Porsche Zwischenholding GmbH, Porsche Zwischenholding GmbH received cash flows that were passed on to Porsche SE as a loan. Most of the increase in other financial liabilities of 3,867 million euro was used to repay bank loans. In connection with Porsche SE's syndicated loan and the financing of Porsche AG's operations, until the date of deconsolidation cash flows received from financing activities include 10,857 million euro for the repayment of existing loans and new loans borrowed of 7,000 million euro. In addition, a portion of the hybrid capital issued in the fiscal year 2007/08 and already disclosed as a financial liability in the prior year was repurchased, leading to a cash outflow of 525 million euro.

Cash funds fell above all due to the deconsolidations, including foreign exchange effects, by 21,488 million euro since 31 July 2009 to 537 million euro.

Gross liquidity, i.e. cash funds including restricted cash of 45 million euro, fell from 28,473 million euro one year earlier to 898 million euro. Liabilities from bonds and commercial papers and notes and liabilities to banks were also reduced from a total of 72,117 million euro in the prior year to 6,945 million euro.

The net liquidity, i.e. cash and cash equivalents less liabilities to banks, of the Porsche SE group, thus not taking into consideration the Porsche Zwischenholding GmbH group and the Volkswagen group, improved considerably in a year-on-year comparison also due to the deconsolidation of the Porsche Zwischenholding GmbH group, amounting to minus 6,047 million euro as of 31 July 2010.

Results of operations

At the end of the fiscal year 2009/10, the Porsche SE group reports a loss after tax of 454 million euro, following a loss after tax of 3,563 million euro recorded for the same period in the prior year. The prior-year loss after tax had been affected above all by effects from market valuation of cash-settled options for Volkswagen AG shares, by expenses from the amortization of hidden reserves and liabilities identified in the course of purchase price allocation for the purpose of first-time consolidation in full of the Volkswagen group and by the difficult economic situation. In contrast, the loss after tax for the fiscal year 2009/10 was heavily influenced by the structural changes described. The deconsolidations also have a considerable impact on the structure of the income statement of the Porsche SE group.

The Porsche Zwischenholding GmbH group and the Volkswagen group are classified as discontinued operations in accordance with IFRSs and their earnings are reported in a separate line in the income statement until their respective date of deconsolidation. The corresponding figures in the income statement for the fiscal year 2008/09 were adjusted to account for these changes. The contributions of the Porsche Zwischenholding GmbH group (prior year: Porsche subgroup, i.e. Porsche AG and its subsidiaries) and the Volkswagen group (prior year: Volkswagen subgroup) were thus reclassified to profit/loss from discontinued operations.

The profit/loss from discontinued operations includes the current results of the Porsche Zwischenholding GmbH group and Volkswagen group until the date of their deconsolidation on 7 December 2009 and 3 December 2009, respectively. It also includes the result from the deconsolidation of both groups.

Until the date of their deconsolidation, the Porsche Zwischenholding GmbH group and the Volkswagen group recorded total revenue of 46,349 million euro. All in all, the profit after tax of the two groups until deconsolidation including costs arising from the amortization of the hidden reserves and liabilities identified in the course of the purchase price allocation for the Volkswagen group as of 5 January 2009 amounted to 680 million euro. This amount also includes the income from the disposal of other comprehensive income of 890 million euro.

The result from deconsolidation of the two groups is the difference between the respective fair value of the investment and the net assets including the shares of other comprehensive income attributable to the Volkswagen group and the Porsche Zwischenholding GmbH group and the non-controlling interests. The stock market price of the shareholding in Volkswagen AG on the date of deconsolidation was used to determine the fair value of the Volkswagen group. The fair value of the Porsche Zwischenholding GmbH group is derived based on the values underlying the capital increase at Porsche Zwischenholding GmbH and consequently Volkswagen AG's investment in Porsche Zwischenholding GmbH. The loss arising from the deconsolidation of the Volkswagen group of 15,902 million euro was partially offset by the positive contribution to profit/loss from the deconsolidation of the Porsche Zwischenholding GmbH group of 9,027 million euro. The deconsolidation of the two groups consequently gives rise to a loss of 6,875 million euro, which means that profit/loss after taxes from discontinued operations comes to a total of minus 6,195 million euro.

The profit/loss from continuing operations includes the earnings of Porsche SE and its subsidiaries and the profit/loss from investments accounted for at equity attributable to the Porsche SE group from its investment in the Porsche Zwischenholding GmbH group and the Volkswagen group. In particular, it includes the effect recognized in the income statement arising from the first-time inclusion of the investment in Volkswagen AG at equity.

Other operating income fell over the period from 1 August 2009 to 31 July 2010 from 52,957 million euro to 709 million euro in comparison to the corresponding prior-year period. Other operating expenses decreased from 55,435 million euro to 956 million euro. The significant drop in income and expenses was mainly caused by the sale of a significant portion of the cash-settled options for Volkswagen AG shares to Qatar Holding LLC at the beginning of the current fiscal year.

After deconsolidation of the two groups, personnel expenses came to 17 million euro in the Porsche SE group (2008/09: 74 million euro).

The profit/loss from investments accounted for at equity comes to 6,792 million euro (2008/09: 400 million euro) and primarily includes the income of 7,841 million euro from first-time inclusion of the investment in Volkswagen AG accounted for at equity. This income arises from the difference between the pro rata revalued equity and the investment's lower carrying amount used as a basis for determining the income from deconsolidation and which is calculated from the stock market price of Volkswagen on the date of first-time consolidation (3 December 2009) in accordance with IFRSs. The profit/loss from investments accounted for at equity also comprises the dilutive effect recognized as a non-cash expense of 1,440 million euro arising from the capital increase performed at Volkswagen AG in March 2010, in which Porsche SE did not participate.

In addition, profit/loss from investments accounted for at equity includes the profit for the year of the Porsche Zwischenholding GmbH group of 30 million euro and of the Volkswagen group of 361 million euro generated since first-time inclusion of the two groups at equity and attributable to Porsche SE. These profit contributions also include effects of amortization of the purchase price allocations begun at the time of inclusion of Porsche Zwischenholding GmbH as a joint venture and Volkswagen AG as an associate, which had not been finalized by the date of publication of this annual report. The profit contributions are consequently preliminary. The profit/loss from investments accounted for at equity – and therefore the Porsche SE group's profit after tax – was reduced by 606 million euro by the subsequent effects of the purchase price allocations commenced in December 2009 for the Porsche Zwischenholding GmbH and Volkswagen groups, i.e. the amortization of hidden reserves and liabilities identified in the process.

Over the reporting period, the financial result deteriorated from minus 407 million euro to minus 673 million euro. The change is essentially due to an increase in interest payments.

At 5,855 million euro, profit/loss before tax from continuing operations was significantly higher than the prior-year level of minus 2,559 million euro. The tax expense for the fiscal year 2009/10 totaled 114 million euro (2008/09: tax income of 214 million euro).

Profit after tax from continuing operations increased compared to the prior-year period from minus 2,345 million euro to 5,741 million euro. With a profit/loss after tax from discontinued operations of minus 6,195 million euro, the profit/loss for the year of the Porsche SE group at the end of the fiscal year 2009/10 came to minus 454 million euro.

The preliminary overall effect of the restructuring performed in the fiscal year 2009/10 described above on profit/loss after tax amounts to 416 million euro.

Operating result of significant equity investments

The following statements relate to the ongoing operating business of the Porsche Zwischenholding GmbH group, which comprises Porsche AG and its subsidiaries (Porsche AG group) and the Volkswagen group in the reporting period. Effects from inclusion in the consolidated financial statements of Porsche SE, i.e. particularly relating to amortization of the hidden reserves and liabilities identified in the course of the purchase price allocations are not taken into consideration.

In the period from 1 August 2009 to 31 July 2010, the Porsche Zwischenholding GmbH group sold 81,850 vehicles. Revenue increased by 17.9 percent to 7,792 million euro. The operating result of the Porsche Zwischenholding GmbH group for this period comes to 1,185 million euro and return on sales reached a double-digit figure.

The Volkswagen group sold 3,302,144 vehicles in the period from 1 July to 31 December 2009. With revenue of 53,985 million euro, the operating result came to 616 million euro for that period. Between 1 January and 30 June 2010, the Volkswagen group sold 3,566,121 vehicles. With revenue of 61,809 million euro in this period, driven by higher volumes and foreign exchange effects, the operating result came to 2,841 million euro.

Overall statement on the economic situation of the Porsche SE group

Due to the corporate restructuring performed in the fiscal year 2009/10 and described above, Porsche SE no longer has any vehicle operations. Since deconsolidation of the Porsche Zwischenholding GmbH group and the Volkswagen group, Porsche SE has essentially been acting as a holding company for its investments in Porsche Zwischenholding GmbH and Volkswagen AG.

The restructuring measures gave rise to significant non-recurring effects that considerably restrict comparability with the prior-year period.

After restructuring, the Porsche SE group's results of operations are impacted most by the recoverability and earnings contributions of the investments accounted for at equity in Porsche Zwischenholding GmbH and Volkswagen AG as well as the finance costs associated with the syndicated loan agreement.

Accordingly, the material factors determining net assets are the development of the carrying amounts of investments held in Porsche Zwischenholding GmbH and Volkswagen AG accounted for at equity and financial liabilities.

The financial position is determined by the cash inflows from dividends paid by Volkswagen AG and Porsche Zwischenholding GmbH. The cash outflows mostly concern interest payments and settlements of loans.

Porsche Automobil Holding SE (separate financial statements pursuant to German Commercial Code)

Restructuring and associated effects on the separate financial statements

In the course of restructuring, Porsche Zwischenholding GmbH, which holds 100 percent of the shares in (the new) Porsche AG, was established as a subsidiary of Porsche SE. Porsche's operating business was transferred with legal effect to (this new) Porsche AG. This transfer was made based on a total enterprise value of 12,400 million euro, meaning that a gain of 9,984 million euro was generated from the spin-off at the level of Porsche Zwischenholding GmbH owing to the lower carrying amounts of the assets and liabilities spun off. By shareholder resolution dated 1 December 2009, Porsche SE withdrew receivables totaling 9,523 million euro from Porsche Zwischenholding GmbH. This withdrawal in kind was performed on 7 January 2010. The withdrawal in kind included Porsche SE withdrawing receivables due from (the new) Porsche AG totaling 1,341 million euro and a receivable due from Porsche SE itself of 8,182 million euro. This withdrawal in kind played a major role in reducing Porsche SE's liabilities.

On 7 December 2009, Volkswagen AG assumed a 49.9 percent shareholding in Porsche Zwischenholding GmbH by means of a capital increase, generating a cash inflow of 3,867 million euro for Porsche Zwischenholding GmbH. Porsche Zwischenholding GmbH passed on these funds almost in their entirety to Porsche SE as a loan. Porsche SE in turn used the funds for financial restructuring purposes, repaying liabilities to banks.

Net profit for the period

Porsche SE's net profit for the period is determined mainly by the profit/loss from investments. In addition to the dividend per withdrawal in kind of 9,523 million euro, the company received another dividend of 87 million euro from Porsche Zwischenholding GmbH and dividends of 240 million euro from Volkswagen AG.

Most of the cash-settled stock options, which had been written down in the prior year, were disposed of by sale to Qatar. The accounting profit for the fiscal year 2009/10 includes effects from stock options of minus 17 million euro. Other operating income came to 392 million euro and other operating expenses to minus 409 million euro in this context. In the prior year, the loss from stock options had totaled minus 2,736 million euro.

Income from ordinary activities increased from minus 443 million euro in the prior year to 8,991 million euro in the fiscal year 2009/10. No tax expenses were incurred as a result of the tax-exempt status of investment income.

Income statement of Porsche Automobil Holding SE

€ million	2009/10	2008/09
Revenue	0	5
Other operating income	641	52,790
Personnel expenses	– 18	– 77
Other operating expenses	– 631	– 55,407
Income from investments	9,850	2,992
Interest result	– 851	– 746
Income from ordinary activities	**8,991**	**– 443**
Taxes	0	– 553
Profit/loss after tax	**8,991**	**– 996**
Withdrawals from retained earnings	0	1,004
Transfer to retained earnings	– 4,495	0
Net profit available for distribution	**4,496**	**8**

Net assets and financial position

In the reporting year, financial assets fell by 67 million euro. Since Porsche SE did not participate in Volkswagen AG's capital increase, the subscription rights were accounted for as a disposal from the investment's carrying amount in the financial statements prepared in accordance with the German Commercial Code.

Receivables rose from 2,703 million euro to 4,348 million euro in particular as the result of a loan receivable of 1,341 million euro due from Porsche AG withdrawn as part of the withdrawal in kind at Porsche Zwischenholding GmbH.

Other receivables and assets fell mainly due to the sale of cash-settled stock options of 770 million euro to Qatar Holding LLC at the beginning of the fiscal year 2009/10 and due to tax refunds. The decrease in prepaid expenses almost in its entirety relates to prepaid transaction cost for syndicated loans borrowed of 209 million euro.

In line with the sale of the majority of the cash-settled stock options, the related provisions set up in the prior year were reduced accordingly. The remaining provisions mostly relate to tax provisions.

Liabilities to banks were repaid using cash received from a new loan by Porsche Zwischenholding GmbH of 3,867 million euro taken out. Other liabilities rose by this amount as a result. In contrast, other liabilities were reduced by Porsche SE withdrawing a loan liability due to Porsche Zwischenholding GmbH of 8,182 million euro at Porsche Zwischenholding GmbH and the liability being extinguished as a result.

Balance sheet of Porsche Automobil Holding SE as of 31 July 2010

€ million	31/7/2010	31/7/2009
Assets		
Financial assets	24,771	24,838
Receivables	4,348	2,703
Other receivables and assets	230	1,202
Cash and cash equivalents	887	2,164
Prepaid expenses	53	263
	30,289	**31,170**
Equity and liabilities		
Equity	16,977	7,993
Provisions	1,572	3,371
Liabilities to banks	7,000	10,561
Other liabilities	4,740	9,245
	30,289	**31,170**

Risks relating to the business development

The risks relating to the development of Porsche SE's business as the parent company of the Porsche SE group are closely connected to the risks relating to the significant investments in Porsche Zwischenholding GmbH and Volkswagen AG. Acting as a holding company also entails additional risks. Please refer to the report on the opportunities and risks of future development in this group management report for a description of the risks.

Risks arising from financial instruments

Porsche SE is exposed to particular risks arising from financial instruments, partly on account of its management function within the Porsche SE group. These are described in the report on the opportunities and risks of future development in this group management report, along with the risks relating to the significant investments held by Porsche SE.

Proposed dividend

The statutory financial statements of Porsche SE as of 31 July 2010 report a distributable profit of 4,495,723,624.26 euro. The executive board will propose the distribution of a dividend of 0.094 euro per ordinary share (prior year: 0.044 euro) and 0.10 euro per preference share (prior year: 0.050 euro), i.e. a total distribution of 16,975,000.00 euro.

Dependent company report drawn up

As in previous years, in accordance with Sec. 312 German Stock Corporation Act (AktG) Porsche has drawn up a report on relations with companies affiliated with holders of its ordinary shares (a dependent company report). The conclusion of this report is as follows: “In accordance with the circumstances known to it when the transactions stated in the report were conducted, Porsche Automobil Holding SE has rendered or, as the case may be, received reasonable payment. The company was not disadvantaged by these transactions. There were no reportable measures in accordance with Sec. 312 (1) Sentence 2 German Stock Corporation Act (AktG) in the year under review”.

Remuneration report

(Part of the corporate governance report)

The remuneration report describes the remuneration system for members of the executive board and supervisory board of Porsche Automobil Holding SE, Stuttgart, (Porsche SE or the company) and explains the basic structure, composition and the individualized amount of income. In addition, the report includes disclosures on other benefits promised to members of the executive board in the event of termination of their office.

Remuneration of the executive board

General principles

Besides their membership of executive board of Porsche SE, the board members are also members of the board of management of Volkswagen Aktiengesellschaft, Wolfsburg, (Volkswagen AG) and the executive board of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, Stuttgart, (Porsche AG). In the reporting period, Professor Dr. Martin Winterkorn and Hans Dieter Pötsch were also members of the board of management of Volkswagen AG, while Thomas Edig and Michael Macht also were members of the executive board of Porsche AG, the subsidiary of Porsche Zwischenholding GmbH.

In accordance with the provisions of the law, the presentation of the structure and composition of remuneration for members of the executive board takes into account not only the remuneration for service as a member of Porsche SE's executive board, but also the pro rata remuneration earned up until the date of deconsolidation of Volkswagen AG on 3 December 2009 and of Porsche Zwischenholding GmbH on 7 December 2009 for membership of those companies' boards.

Remuneration principles at Porsche SE

At regular intervals the supervisory board takes a look at remuneration matters concerning the executive board, examining the structure and amount of remuneration of the executive board in the process. At the beginning of the fiscal year, Porsche SE's supervisory board decided to extensively revise the remuneration system for members of the company's executive board in order to reflect the measures implemented in accordance with the basic agreement as well as the company's new role as a pure holding company.

The presentation of the executive board's remuneration is in compliance with the legal requirements and the recommendations of the German Corporate Governance Code.

Unlike in the previous remuneration system, as compensation for their service at Porsche SE the four executive board members receive a fixed basic component only.

The supervisory board has, however, expressly reserved the right to introduce a variable remuneration system or to make special payments or pay out bonuses subsequently to members of the executive board based on targets agreed beforehand.

In addition, the members of the executive board receive other benefits in kind, such as the use of company cars and provision of insurance cover, for which the company bears the taxes incurred. The deductible provided by Sec. 93 (2) German Stock Corporation Act (AktG) has been arranged for the D&O insurance policy concluded by the company for its executive board members.

There are no other benefits provided for by the company. In particular, the members of the company's executive board do not receive any pension benefits. The executive board members' individual service agreements with the company do not contain any special regulations regarding premature termination of membership of the executive board.

Remuneration principles at Volkswagen AG

The remuneration of the executive board members Professor Dr. Martin Winterkorn and Hans Dieter Pötsch for their service to the Porsche SE group as presented in the remuneration report also contains the remuneration earned from Volkswagen AG for the period from acceptance of their appointment to the company's executive board effective as of 25 November 2009 to the date of deconsolidation of Volkswagen AG on 3 December 2009.

This remuneration comprises a fixed basic salary, including other benefits in kind, and a variable component based on the business development of the previous two years. No remuneration was granted from conversion rights under the stock option plan in effect until the end of 2009.

Instead, the supervisory board of Volkswagen AG decided to introduce a long-term incentive (LTI) as a new variable component for the board of management and top management of the Volkswagen group, the amount of which is largely dependent on whether the aims of the Strategy 2018 are met.

The underlying indices of customer satisfaction, in the field of employer appeal and sales growth are added and then multiplied by the return index derived from the development of return on sales. The LTI is consequently paid out only if the group is financially successful. The supervisory board determines the amount of the LTI for each fiscal year on the basis of the total index's four-year average. In the introductory phase, the LTI will be calculated and paid out for the first time in 2011 for the 2010 fiscal year and forecasts for the 2011 fiscal year. This process will successively be applied in the years 2012 and 2013. Calculations will be based on historical figures for four fiscal years for the first time as of the 2014 fiscal year.

Remuneration principles at Porsche AG

In addition to their membership of Porsche SE's executive board, Thomas Edig and Michael Macht were members of the executive board of Porsche AG in the reporting period and received remuneration for their service. This remuneration has been considered in the executive board remuneration disclosed pro rata temporis as of the beginning of the fiscal year until the date of deconsolidation of Porsche Zwischenholding GmbH and thus also of Porsche AG on 7 December 2009. The management of Porsche Zwischenholding GmbH, which comprises the same individuals as the executive board of Porsche AG, does not receive any remuneration for the assumption of its duties at Porsche Zwischenholding GmbH.

The remuneration system for Porsche AG's executive board was adjusted accordingly by the supervisory board when the German Act on the Adequacy of Management Board Compensation (VorstAG) was introduced and the service agreements of the executive board members were changed accordingly in the course of spin-off of operations to the (new) entity Porsche AG.

The remuneration of Porsche AG's executive board essentially comprises three components:

Each executive board member receives a fixed annual salary, comprising a fixed basic component and a fixed management bonus. The latter is not included in the calculation of the company pension entitlements.

In addition, each executive board member receives a variable component, the amount of which is based on the result from ordinary activities determined (in accordance with International Financial Reporting Standards (IFRSs)) for the Porsche AG group (Porsche AG and its subsidiaries) and the degree of target achievement for certain agreed targets. It is paid out after the close of a fiscal year (short-term incentive). The targets that are arranged in a separate agreement are oriented towards a sustainable development of the Porsche AG group.

In addition, the supervisory board added a long-term incentive (LTI) to the remuneration structure as a variable component, which is also based on the result from ordinary activities determined (in accordance with IFRSs). It is not paid out until two years later and is additionally contingent on the defined long-term targets being reached at the time of payment.

Payment of the LTI component is conditional upon a profit being generated in the last fiscal year before it falls due.

The amount paid out for the LTI component depends to a large extent on the targets set forth in the long-term business plan concerning the fiscal year in question and the objective defined there. If the result falls short of the target figure by 50 percent, the LTI component is forfeited.

Both remuneration components are capped (bonus cap). The supervisory board has the option to reduce the variable remuneration components at its discretion provided it considers this appropriate in light of extraordinary developments. This may in particular be the case if, for example, the result from ordinary activities increases significantly without the executive board or any individual member of the board having been involved to a considerable extent.

The short-term incentive makes up approximately 40 percent of the maximum variable total remuneration, while the long-term incentive accounts for around 60 percent.

In addition, the members of Porsche AG's executive board receive other benefits in kind, such as the use of company cars and provision of insurance cover, for which Porsche AG bears the taxes incurred. The deductible provided by Sec. 93 (2) German Stock Corporation Act (AktG) has been arranged for the D&O insurance policy concluded by the company for its executive board members.

The executive board members' service agreements with Porsche AG do not contain any special regulations regarding premature termination of membership of the executive board.

Remuneration of the members of the executive board according to Sec. 314 (1) No. 6a German Commercial Code (HGB)[1]

	Non-performance-related components	Performance-related components	thereof long-term incentive	Total
Prof. Dr. Martin Winterkorn (since 25 November 2009)				
Porsche SE group	553,570	120,822	–	674,392
thereof Porsche SE	511,644	–	–	511,644
Thomas Edig				
Porsche SE group	789,424	535,226	321,136	1,324,650
thereof Porsche SE	500,000	–	–	500,000
Michael Macht [2]				
Porsche SE group	965,741	706,849	–	1,672,590
thereof Porsche SE	500,000	–	–	500,000
Hans Dieter Pötsch (since 25 November 2009)				
Porsche SE group	364,528	61,644	–	426,172
thereof Porsche SE	341,096	–	–	341,096
Total				
Porsche SE group	**2,673,263**	**1,424,541**	**321,136**	**4,097,804**
thereof Porsche SE	**1,852,740**	**–**	**–**	**1,852,740**

1 The figures in the table above **take into account** the **deconsolidation** of the Porsche Zwischenholding GmbH group and of the Volkswagen group as required for the purpose of group reporting in accordance with IFRSs. In addition to the remuneration for service on Porsche SE's executive board, the figures for the Porsche SE group include remuneration paid to Michael Macht and Thomas Edig in the Porsche Zwischenholding GmbH group from 1 August 2009 **to 7 December 2009** and remuneration paid to Prof. Dr. Martin Winterkorn and Hans Dieter Pötsch in the Volkswagen group from 25 November 2009 **to 3 December 2009**.

2 Mr. Macht left the executive board of Porsche SE and the executive board of Porsche AG at the end of the day on 30 September 2010.

Post-employment benefits

The members of Porsche SE's executive board do not receive any pension benefits from the company.

Executive board members Professor Dr. Martin Winterkorn and Hans Dieter Pötsch receive a pension commitment for their service for the Volkswagen group. The pension is determined as a percentage of the fixed basic salary. Starting from a rate of 50 percent, the individual percentage rate increases by two percentage points per year of service at the company. The maximum rate determined by the executive committee of Volkswagen AG's supervisory board is 70 percent.

Michael Macht and Thomas Edig were members of the executive board of Porsche SE and the executive board of Porsche AG in the reporting period. The members of the executive board of Porsche AG are entitled to future benefits from this company which as a rule range between 25 percent and 40 percent of the most recent basic salary depending on their years of service.

As of the end of the reporting period, Porsche SE did not have any pension obligations due to former members of the executive board and their surviving dependants. The obligations of 45.5 million euro recorded as of the prior-year reporting date were disposed of in the course of deconsolidation of Porsche Zwischenholding GmbH from the Porsche SE group. Until the date of deconsolidation of the Porsche Zwischenholding GmbH group and the Volkswagen group, benefit payments came to 1.0 million euro for this group of persons (2008/09: 1.6 million euro).

Remuneration of the supervisory board

The remuneration of Porsche SE's supervisory board is governed by article 14 of the company's articles of association. It consists of a fixed component and an attendance fee for the meetings of the supervisory board and the respective committees. In addition, the supervisory board members receive a performance-related component based on the profit/loss before tax from continuing operations.

The chairman of the supervisory board, his deputy and the chairperson and members of the audit committee receive twice (chairperson) and one and a half times (deputy and members of the audit committee) the amount of remuneration of a supervisory board member. If a member of the supervisory board holds several offices at the same time, he/she receives remuneration only for the office with the highest remuneration.

In addition, the company refunds each supervisory board member for VAT payable on their remuneration.

Various members of Porsche SE's supervisory board are also members of supervisory boards and other control bodies as defined by Sec. 125 (1), Sentence 3 German Stock Corporation Act (AktG) in the Porsche Zwischenholding GmbH group and the Volkswagen group. The remuneration of Porsche AG's supervisory board is governed by article 13 of the Porsche AG's articles of association. Art. 17 of the articles of association of Volkswagen AG contains the rulings on the remuneration of the supervisory board of Volkswagen AG. The remuneration of the members of the supervisory board of AUDI Aktiengesellschaft, Ingolstadt (AUDI AG) is governed by the provisions in Art. 16 of the articles of association of AUDI AG.

Remuneration of the supervisory board in the fiscal year 2009/10

In accordance with article 14 of Porsche SE's articles of association, the supervisory board receives remuneration totaling 2.2 million euro for its service at Porsche SE in the fiscal year 2009/10 (2008/09: 1.5 million euro). This amount includes fixed components of 0.9 million euro and variable components of 1.3 million euro.

Beyond this, supervisory board members did not receive any other remuneration or benefits for any services they provided personally, such as consultancy and mediation services.

The remuneration presented below for the individual members of Porsche SE's supervisory board comprises the remuneration paid for their work on the supervisory boards of Porsche SE and its subsidiaries. Accordingly, for those members of Porsche SE's supervisory board who are members of the supervisory board or other control bodies in the Porsche Zwischenholding GmbH group and the Volkswagen group, it also includes remuneration for memberships of supervisory board and other control bodies as defined by Section 125 (1) Sentence 3 German Stock Corporation Act (AktG) of these companies until deconsolidation of Volkswagen AG on 3 December 2009 and of Porsche Zwischenholding GmbH on 7 December 2009. In accordance with article 13 (2) of Porsche AG's articles of association, members of Porsche AG's supervisory board who are also on Porsche SE's supervisory board do not receive performance-related remuneration from Porsche AG in order to avoid duplicate payment.

Supervisory board remuneration according to Sec. 314 (1) No. 6a German Commercial Code (HGB)[1]

	Non-performance-related components	Performance-related components	Total
Dr. Wolfgang Porsche	151,376	250,630	402,006
Uwe Hück [2]	140,625	150,945	291,570
Hans Baur [2]	78,264	100,630	178,894
Berthold Huber [2]	52,666	117,430	170,096
Prof. Dr. Ulrich Lehner	78,264	100,630	178,894
Peter Mosch [2]	65,645	154,611	220,256
Bernd Osterloh [2]	103,507	162,702	266,209
Hon.-Prof. Dr. techn. h.c. Dipl. Ing. ETH Ferdinand K. Piëch	82,678	233,403	316,081
Dr. Hans Michel Piëch	119,900	140,717	260,617
Dr. Ferdinand Oliver Porsche	85,063	171,041	256,104
Hans-Peter Porsche	41,625	49,756	91,381
His Excellency Sheik Yassim Bin Abdulaziz Bin Yassim Al-Thani (since 29 January 2010)	15,639	50,874	66,513
Werner Weresch [2]	69,264	100,630	169,894
Total	**1,084,516**	**1,783,999**	**2,868,515**

1 The figures in the table above **take into account** the **deconsolidation** of the Porsche Zwischenholding GmbH group and of the Volkswagen group as required for the purpose of group reporting in accordance with IFRSs. In addition to remuneration for service on Porsche SE's supervisory board, the figures include remuneration for service on the Porsche Zwischenholding GmbH group's supervisory board **to 7 December 2009** and on the Volkswagen group's supervisory board **to 3 December 2009**.

2 These employee representatives have declared that their supervisory board remuneration is transferred to the Hans-Böckler-Stiftung foundation in accordance with the regulations of the German Federation of Trade Unions (DGB).

Supplementary disclosures in accordance with the German Corporate Governance Code

Notwithstanding the deconsolidation of Porsche Zwischenholding GmbH as well as of Volkswagen AG for the purpose of group reporting in accordance with IFRSs, Porsche Zwischenholding GmbH (and thus also Porsche AG) and Volkswagen AG are still group entities of Porsche SE as defined by Sec. 18 German Stock Corporation Act (AktG). Therefore, the total remuneration required to be published according to the German Corporate Governance Code for Porsche SE's executive board members also includes any remuneration that the members of the executive board received on account of their service on the boards of the group entities Porsche AG and/or Volkswagen AG.

The total remuneration of the members of Porsche SE's executive board therefore includes not only remuneration for their service as a member of the company's executive board, but for Michael Macht and Thomas Edig additionally remuneration for their service on executive boards in the Porsche Zwischenholding GmbH group for the fiscal year 2009/10 and for Prof. Dr. Martin Winterkorn and Hans Dieter Pötsch additionally remuneration for their service on executive boards in the Volkswagen group for the period from 25 November 2009 to 31 July 2010 and for their work on the supervisory board of Porsche AG.

The remuneration paid to Prof. Dr. Martin Winterkorn and Hans Dieter Pötsch does not comprise any pro rata variable components for the 2010 calendar year. The calculation bases needed to calculate such amounts were not available. Volkswagen AG's supervisory board will not adopt a resolution on the variable components until after the end of the 2010 calendar year.

The expense recognized for the addition to pension provisions amounts to 659,000 euro for Michael Macht and 174,000 euro for Thomas Edig. No information was available with respect to the expense recognized at Volkswagen AG from additions to the pension provisions for Prof. Dr. Martin Winterkorn and Hans Dieter Pötsch because Volkswagen AG's fiscal year diverges from that of Porsche SE.

Remuneration of the members of the executive board in accordance with the German Corporate Governance Code[1]

	Non-performance-related components	Performance-related components	thereof long-term incentive	Total
Prof. Dr. Martin Winterkorn (since 25 November 2009)				
Porsche SE group	1,700,280	513,503	–	2,213,783
thereof Porsche SE	511,644	–	–	511,644
Thomas Edig				
Porsche SE group	1,318,912	1,514,400	908,640	2,833,312
thereof Porsche SE	500,000	–	–	500,000
Michael Macht [2]				
Porsche SE group	1,817,356	2,000,000	–	3,817,356
thereof Porsche SE	500,000	–	–	500,000
Hans Dieter Pötsch (since 25 November 2009)				
Porsche SE group	1,013,706	262,340	–	1,276,046
thereof Porsche SE	341,096	–	–	341,096
Total				
Porsche SE group	**5,850,254**	**4,290,243**	**908,640**	**10,140,497**
thereof Porsche SE	**1,852,740**	**–**	**–**	**1,852,740**

1 The figures in the table above **do not take into account** the **deconsolidation** of the Porsche Zwischenholding GmbH group and of the Volkswagen group as required for the purpose of group reporting in accordance with IFRSs. In addition to the remuneration for service on Porsche SE's executive board, the figures for the Porsche SE group include remuneration paid to Michael Macht and Thomas Edig in the Porsche Zwischenholding GmbH group from 1 August 2009 **to 31 July 2010** and remuneration paid to Prof. Dr. Martin Winterkorn and Hans Dieter Pötsch in the Volkswagen group from 25 November 2009 **to 31 July 2010**.

2 Mr. Macht left the executive board of Porsche SE and the executive board of Porsche AG at the end of the day on 30 September 2010.

As described above, Porsche Zwischenholding GmbH (and thus also Porsche AG) as well as of Volkswagen AG are still group entities of Porsche SE as defined by Sec. 18 German Stock Corporation Act (AktG). Therefore, the total remuneration required to be published according to the German Corporate Governance Code for Porsche SE's supervisory board members also includes any remuneration that the members of the supervisory board received on account of their service on the boards of Porsche SE group entities.

In addition to remuneration for service on the company's supervisory board, the remuneration of the members of Porsche SE's supervisory board presented below therefore also includes remuneration for service on supervisory boards of Porsche SE group entities.

The remuneration paid to the company's supervisory board members in their capacity as members of the supervisory board of Volkswagen AG or AUDI AG do not include any pro rata variable components for the period from 1 January 2010 to 31 July 2010. The calculation bases required to determine them are not available because the fiscal year of Volkswagen AG and AUDI AG diverges from that of Porsche SE.

Remuneration of the members of the supervisory board in accordance with the German Corporate Governance Code[1]

	Non-performance-related components	Performance-related components	Total
Dr. Wolfgang Porsche	215,878	301,186	517,064
Uwe Hück [2]	182,375	150,945	333,320
Hans Baur [2]	101,250	100,630	201,880
Berthold Huber [2]	72,533	121,630	194,163
Prof. Dr. Ulrich Lehner	78,264	100,630	178,894
Peter Mosch [2]	85,000	166,727	251,727
Bernd Osterloh [2]	104,917	176,151	281,068
Hon.-Prof. Dr. techn. h.c. Dipl. Ing. ETH Ferdinand K. Piëch	121,294	262,458	383,752
Dr. Hans Michel Piëch	160,839	151,716	312,555
Dr. Ferdinand Oliver Porsche	123,230	189,884	313,114
Hans-Peter Porsche	55,958	49,756	105,714
His Excellency Sheik Yassim Bin Abdulaziz Bin Yassim Al-Thani (since 29 January 2010)	15,639	50,874	66,513
Werner Weresch [2]	84,264	100,630	184,894
Total	**1,401,441**	**1,923,217**	**3,324,658**

1 The figures in the table above **do not take into account** the **deconsolidation** of the Porsche Zwischenholding GmbH group and of the Volkswagen group as required for the purpose of group reporting in accordance with IFRSs. In addition to remuneration for service on Porsche SE's supervisory board, the figures include remuneration for service on the Porsche Zwischenholding GmbH group's and the Volkswagen group's supervisory boards **to 31 July 2010**.

2 These employee representatives have declared that their supervisory board remuneration is transferred to the Hans-Böckler-Stiftung foundation in accordance with the regulations of the German Federation of Trade Unions (DGB).

Value-enhancing factors

This section presents the main non-financial performance indicators of the Porsche Zwischenholding GmbH group and the Volkswagen group. Even after deconsolidation of the two groups, these value drivers help raise the value of these significant investments held by Porsche SE in the long term. These include newly developed products, processes in the fields of research and development, procurement, production, sales and marketing, and the environment, and the behavior of company management towards its employees.

Research and development

New launches by the Porsche Zwischenholding GmbH group

Fiscal year 2009/10 not only saw the successful update of all vehicle series and the introduction of a totally new Cayenne generation; it also marked the debut of the 918 Spyder – the concept study of a high-performance sports car with plug-in hybrid technology – which focused visitors' attention on Porsche at the International Motor Show in Geneva.

The new Panamera* was the first in a series of market launches of new Porsche models which attracted considerable interest worldwide during the reporting year. Porsche put the Gran Turismo on the market in September 2009, initially as an eight-cylinder with outputs of 400 and 500 hp as well as rear-wheel and all-wheel drive; in May 2010 the offering was rounded out by the six-cylinder gasoline engine with 300 hp and later a hybrid version.

Like no other vehicle in its class, the Panamera combines sportiness with comfort. Despite its flat silhouette, the vehicle offers a generous feeling of space in all four seats. A number of technical innovations celebrated their world debut in the Panamera. These included the first automated start/stop function in conjunction with an automatic transmission, air suspension with additional volume at the push of a button in each spring. All models have direct fuel injection. The Panamera 4S* and Turbo* come with the Porsche double-clutch gearbox (PDK) as standard. The combination of performance and low consumption is also enabled by the intelligent, lightweight construction. The axles, doors, hood, wings and trunk lid are all made of aluminum.

In the sports car segment, the new 911 Turbo* was launched in November 2009. All key features of the vehicle have been significantly enhanced. It is not only more powerful, faster and even more dynamic, but now also considerably more economical and lighter. The 500 hp (368 kW) engine has direct fuel injection and turboloader with variable turbine geometry. A seven-gear Porsche double-clutch gearbox (PDK) is also offered as an option. Compared to its predecessor, CO_2 emissions have been cut by up to just under 18 percent. Depending on the vehicle configuration, the top of the range model only needs 11.4 to 11.7 liters per 100 kilometers.

The even more powerful top-of-the-range 911 Turbo S* with 530 hp (390 kW) and maximum torque of 700 Newton meters has been available since May 2010. Despite the significant increase in power and dynamics, the vehicle has the same fuel consumption

* Fuel consumption and emission data can be found on page 46 of this report.

as the 911 Turbo, 11.4 liters per 100 kilometers. The Turbo S is available exclusively with PDK.

Another new 911 model was the 911 GT3 RS. The high-revving naturally aspirated engine generates 450 hp and achieves a specific output of more than 118 hp per liter – an extremely high value for suction engines by world standards.

In addition, the new 911 GT2 RS was launched in September 2010. With 620 hp, it is the most powerful series-production sports car in Porsche's history. But at 11.9 liters per 100 kilometers, its fuel consumption is around five percent lower than that of the 911 GT2. Its top speed is 330 km/h.

In the mid-engined range of Porsche sports cars, the Boxster Spyder* was introduced in February 2010. It is instantly distinguishable from the other Boxster models because this vehicle was primarily designed to be driven with the roof down. The flat lightweight textile roof that extends far to the back acts merely as a sunshade and protection from the elements. The six-cylinder engine with direct fuel injection generates 320 hp.

Porsche presented the new generation of the sporty Cayenne off-roader* at the Geneva International Motor Show at the beginning of March. The new model's wheelbase was lengthened by 40 millimeters with a view to improving interior space and increasing flexibility. All in all, the vehicle has grown by 48 millimeters. Nevertheless, the new Cayennes seem much more compact and dynamic than the predecessor model. The range starts with the Cayenne with a 3.6 liter V6 engine. Despite the rise in output to 300 hp, fuel consumption in combination with the optional eight-gear Tiptronic S has fallen by 20 percent in comparison to its predecessor to 9.9 liters per 100 km. Similarly, the Cayenne diesel burns 20 percent less fuel – 7.4 liters per 100 km instead of 9.3. Its three-liter V6 diesel engine generates 240 hp (176 kW).

Even the fuel consumption of the mighty Cayenne S* with its 4.8 liter V8 engine was significantly reduced, namely by 23 percent to 10.5 liters per 100 kilometers. Moreover, the engine now generates 400 hp instead of 385 hp and offers improved performance, like all new generation Cayenne models. This also applies to the Cayenne Turbo. Its 500 hp (368 kW), 4.8 liter bi-turbo engine now consumes 11.5 liters per 100 km, i.e., also 23 percent less fuel than its predecessor.

The highlight of the generation change, however, was the world debut of the Cayenne S Hybrid* with its technically sophisticated parallel full hybrid drive and consumption of 8.2 liters per 100 km, which is equivalent to CO_2 emissions of only 193 g/km. With its six-cylinder engine, the Cayenne S Hybrid combines the performance of eight cylinders with significantly lower consumption.

The sensation at the Porsche stand at the Geneva show was the debut of the 918 Spyder. The concept study combines racing high-tech and electromobility to form a fascinating range of features. On the one hand, the emissions of a microcar of 70 grams of CO_2 per kilometer and a fuel consumption of three liters per 100 kilometers, on the other hand the performance of a top-end sports car with acceleration of 0 to 100 km/h in just under 3.2 seconds and a top speed in excess of 320 km/h. The 918 Spyder with a plug-in hybrid drive is propelled by a V8 engine that generates more than 500 hp (368 kW) as well as electric motors on the front and rear axles with a total mechanical output of 218 hp (160 kW).

* Fuel consumption and emission data can be found on page 46 of this report.

New launches by the Volkswagen group

The Volkswagen group kicked off the 2010 model year with a large number of attractive new models and fascinating concept cars. The first of these were unveiled at the motor shows in Detroit and Geneva.

At the North American International Auto Show in Detroit, Volkswagen passenger cars presented the New Compact Coupé (NCC) – a concept car for a completely new compact coupé with a hybrid drive and a sporty, elegant design – to the global public for the first time. The combination of a 110 kW (150 hp) TSI engine and an electric motor with an output of 20 kW (27 hp), in conjunction with the innovative seven-gear double-clutch gearbox (DSG), gives this vehicle a top speed of 227 km/h and an acceleration of 8.6 seconds to 100 km/h. The NCC has an average fuel consumption of only 4.2 l per 100 km.

With its e-tron Detroit show car, Audi unveiled its concept for an uncompromisingly purist compact sports car powered purely by electricity. This coupé, manufactured using Audi's prizewinning aluminum space frame lightweight construction technology, has two electric motors with a total output of 150 kW (204 hp). These enable a range of up to 250 km and a top speed (electronically limited) of 200 km/h. The next generation of the Audi A8 also celebrated its motor show debut. Fascinating sportiness, innovative technology and superior comfort are the hallmarks of the Audi brand's new flagship.

The Volkswagen group's brands presented many attractive new models at the International Motor Show in Geneva. The world premiere of the new Sharan was the highlight for the Volkswagen passenger cars brand. This totally revamped model was improved in all areas and is now equipped with rear sliding doors for the first time. Its extremely variable seating concept, high-end quality, uncompromising safety and clever details are the highlights of this multi-purpose vehicle (MPV), which is geared primarily towards families and high-mileage business drivers who need additional space. The new Touareg, which had celebrated its global debut just a few days previously in Munich, also attracted attention. The completely redesigned premium SUV now offers even higher quality, both outside and inside. The new Touareg will also be available in a hybrid version*. The new editions of the CrossGolf and CrossPolo, as well as the PoloGTI*, were also presented to the global public for the first time. The CrossGolf is the sixth separate model in the series and it combines the versatility of an MVP with the robustness of an SUV. With its own distinct equipment features, raised suspension and outstanding suitability for daily use, the CrossPolo is one of the most unconventional vehicles in its class. The special features of the PoloGTI are its superb handling characteristics, uncompromising drive train agility and maximum possible safety.

The debut of the Audi A1 was the highlight of the show for the Audi brand. The A1 is the first premium automobile in the small compact car segment

and appeals to entirely new customer groups for the brand. The smallest member of the Audi family features a distinct design with striking LED headlights and a sporty, flowing roof arch, individuality and the highest possible quality. The debut of the new Audi RS 5*, a powerful, efficient coupé offering classic elegance, also attracted attention. In addition, the Audi brand demonstrated its expertise in e-mobility: the Audi A8 hybrid concept car, which is close to series production, and the A1 e-tron concept car both generated particular interest from visitors to the stand.

The Škoda brand unveiled the Fabia Scout to the global public in Geneva. With attractive design elements typical for an offroad vehicle, it is a breath of fresh air in the subcompact class, meeting customer wishes for mobility that is as inexpensive as it is individual. Other premieres from the brand were the redesigned front sections of the Fabia and Roomster models, which make the vehicles look lower and broader for no change in height, thus giving them a more dynamic appearance. Škoda also presented the sporting RS variant* of the Fabia.

With its IBE concept, the SEAT brand offered a first glimpse of the future of its design language. Its compact proportions and exciting styling make this electric vehicle particularly attractive; as a tightly proportioned 2+2-seater, it is designed for a youthful lifestyle. SEAT also presented the Ibiza ST in Geneva the estate version of its successful compact model that is aimed in particular at meeting the needs of families.

The luxury Bentley, Lamborghini and Bugatti brands also thrilled visitors to the Geneva Motor Show. Bentley presented the fastest and most powerful convertible ever from the Bentley stable in the shape of the Continental Supersports Convertible*. The design and craftsmanship of this functional, elegant super sports car mark it unmistakably as a Bentley and, thanks to innovative FlexFuel technology, it can also run on bioethanol. The new top model in the Gallardo series, the Lamborghini Gallardo LP 570-4 Superleggera, was the center of attention at the Italian brand's stand. Bugatti showed the 16C Galibier, a four-door sedan concept whose 16-cylinder engine can also run on bioethanol.

Volkswagen commercial vehicles celebrated the debut of the Amarok. This pickup sets new standards in its class by combining the robustness typical for the segment with innovative technology, high safety standards and top marks in terms of consumption, comfort and ergonomics. In the successful Multivan/Transporter model series, the 4Motion four-wheel drive will also be available in combination with the seven-gear DSG starting 2010.

The world premiere of the new Touran was the highlight of the Volkswagen passenger cars brand at the motor show in Leipzig (AMI). The next generation of the most successful German van, which has been redesigned in many areas, systematically reflects Volkswagen's current design language in terms of looks. New technical features, such as Dynamic Light Assist – which is available for this first time in a vehicle of this class – and the new Park Assist 2.0 as well as low emissions and consumption figures give the Touran even more of an edge over its competitors. With average consumption of 4.6 l per 100 km (121 g/km CO_2, combined), the new Touran 1.6 TDI BlueMotion Technology* sets a new record for a seven-seater van.

The highlights at the Audi brand's appearance in Leipzig were the world premiere of the refreshed Audi TT Roadster and Audi TT Coupé models. The design of the lightweight, mainly aluminum bodies and the interior of the two TT models have been further optimized, and new technologies are reducing their consumption and emissions. Visitors to the motor show were also particularly interested in the new Audi A1 which, as the first premium automobile in the small compact car segment, is appealing to entirely new customer groups for the brand.

In addition, the new generations of the Sharan, Touareg, Polo GTI*, CrossPolo and CrossGolf, as well as the Audi A8, Audi RS 5 Coupé* and the Amarok had their German debuts in Leipzig.

The Auto China show in Beijing saw the Volkswagen passenger cars brand celebrate the world premiere of its flagship, the new Phaeton, which has been perfected further. Its completely revamped front section and many technical innovations in par-

* Fuel consumption and emission data can be found on page 46 of this report.

ticular make the Phaeton a compelling vehicle. These innovations include a new brake system, Dynamic Light Assist and a navigation system that, if desired, integrates online data into the maps displayed. In addition, an optional front camera allows the new Phaeton to "see" traffic signs and display them in the multifunction instrument panel and on the touch screen in the center console. The Chinese premiere of the Tiguan, which is available with an extended wheelbase especially for the Chinese market, also attracted a great deal of attention.

The Volkswagen passenger cars brand also celebrated two other world premieres at exclusive events in the second quarter of 2010: the Polo sedan, which was developed especially for the Russian market and is produced at the Kaluga plant, was presented in Moscow at the beginning of June, and the new Jetta made its debut in Times Square, New York, on 15 June.

The new Audi A8 L* was another new model unveiled to the global public at Auto China. An extended wheelbase and a twelve-cylinder engine enable this top-of-the-range Audi model to set new standards in luxury, dynamics and efficiency. The Audi A8 L's aluminum body is produced using the award-winning Audi Space Frame (ASF) design and weighs around 40 percent less than a comparable steel structure. Its technical highlights include full-LED headlights.

Joining forces through strategic alliances

In the fields of vehicle development and production, Volkswagen continues its cooperation with Porsche AG, Daimler AG and the Chrysler group in 2009. In fiscal year 2009, Scania entered into a strategic partnership with Chinese bus bodywork manufacturer Higer, on the basis of which the two companies will team up with Scania Touring in China to produce a bus for the global market.

In the field of renewable second-generation biofuels, the Volkswagen group is continuing to work with CHOREN Industries and IOGEN. The Volkswagen group has held a financial investment in CHOREN Industries since 2007.

* Fuel consumption and emission data can be found on page 46 of this report.

In 2009, Volkswagen stepped up its cooperation with several experienced battery manufacturers and the Institute of Physical Chemistry at the University of Münster to promote the development of battery systems for hybrid drives and electric vehicles.

Porsche Intelligent Performance

The performance of Porsche vehicles is based on intelligent and innovative ideas for efficient engines, excellent aerodynamics and high-quality lightweight construction – for more power in conjunction with lower fuel consumption and emissions. This is what Porsche means by Intelligent Performance.

This philosophy was already put into practice in first Porsche 356, which combined light weight and high performance with low fuel consumption. This is the “genetic code” shared by all subsequent Porsche models. Today, the environmental impact of vehicles is an increasingly important factor. As a move towards further reductions in CO_2 emissions, Porsche will look into new concepts, including vehicles powered entirely by electricity.

Lightweight construction reduces emissions

Lightweight construction is one of the ideas driving the Volkswagen group’s efforts to cut CO_2 emissions. All the same, customers’ space and comfort demands as well as the legal requirements such as new pedestrian protection regulations must be met. Volkswagen views lightweight construction as a strategic core competency that can be utilized in vehicle manufacturing to reduce CO_2 emissions. As the inventor of the Audi Space Frame, the group’s Audi brand is leading the way in implementation of lightweight construction in the premium segment. The Volkswagen passenger cars brand uses high- and ultra-high-strength steels for affordable lightweight construction in the volume segment. Modern body shells are now much lighter than those of predecessor models and offer greater comfort and safety. Going forward, the focus will therefore be increasingly on combining available lightweight construction technologies and implementing them affordably in large-series projects. This is the only way a substantial contribution can be made to reducing CO_2 emissions and operating costs in the long term. After aluminum and ultra-high-strength steels, carbon-fiber composites and magnesium offer the most potential for lightweight construction. Inspiration is provided by the fields of aerospace research and motorsports. The Volkswagen group is the frontrunner among automakers worldwide in lightweight construction and will hold a strong position in the future thanks to the group brands’ different concepts for lightweight construction.

Volkswagen plays a leading role in the “SuperLIGHT car project”, a project funded by the European Commission in which a total of 37 partners have joined forces. The results are compelling: an intelligent mix of aluminum, steel, magnesium and plastic made it possible to reduce the weight of the body in white of a mid-sized sedan by around 35 percent.

Increase in capitalized development costs

In fiscal 2009/10, research costs and non-capitalized development costs in the Porsche Zwischenholding GmbH group came to 189 million euro (prior year: 517 million euro). Development costs totaling 400 million euro were capitalized compared to 225 million euro in the prior year. The capitalization rate rose from 30 percent in the prior year to 68 percent in the reporting year.

In the period from 1 January 2010 to 30 June 2010, research costs and non-capitalized development costs in the Volkswagen group totaled 2,238 million euro; in the period from 1 July to 31 December 2010, they came to 1,722 million euro. The capitalization rate for the Volkswagen group was 37.0 percent in the period from 1 July 2009 to 31 December 2009; and in the period from 1 January 2010 to 30 June 2010, it was 27.4 percent. In the first half of 2009, research and non-capitalized development costs in the Volkswagen group amounted to 2,121 million euro. The capitalization rate was 30.6 percent.

Industrial property rights and licenses

Through intensive support for development projects, Porsche Zwischenholding GmbH again succeeded in increasing the volume of patent applications for innovations and designs. Vehicle projects involving hybrid technology were one focus in this area. Particular attention was also paid to the innovations of the newly launched Cayenne. When it comes to patent applications outside Germany, China has become firmly established. Porsche also continues to be actively involved in licensing business and royalties remain high.

The Volkswagen group obtained many patents in Germany and abroad during the reporting period. The majority of these innovations related to driver assistance systems and infotainment topics as well as to hybrid and bodywork technology. The high volume and technological quality of the patent applications shows employees' extensive innovative abilities when it comes to having ideas.

Consumption and emissions

Model	Output kW (hp)	Fuel consumption urban (l/100km)	Fuel consumption extra-urban (l/100km)	Fuel consumption combined (l/100km)	CO_2-Emissions combined (g/km)
Audi RS 5 Coupé	331 (450)	14.9	8.5	10.8	252
Bentley Continental Supersports Convertible	463 (630)	25.7	11.5	16.7	388
Škoda Fabia RS	132 (180)	7.7	5.2	6.2	148
VW Polo BlueMotion	55 (75)	4.0	2.9	3.3	87
VW Touareg Hybrid	245 (333)	8.7	7.9	8.2	193
Audi A8 L W12 quattro	368 (500)	18.2	9.0	12.4	290
VW Polo GTI	132 (180)	7.5	5.1	5.9	139
VW Touran 1.6 TDI Blue Motion Technology	77 (105)	5.5	4.1	4.6	121
Porsche 911 Turbo	368 (500)	16.5	8.3	11.6	272
Porsche 911 Turbo PDK	368 (500)	16.5	8.1	11.4	268
Porsche 911 Turbo Cabriolet	368 (500)	16.7	8.4	11.7	275
Porsche 911 Turbo Cabriolet PDK	368 (500)	16.7	8.2	11.5	270
Porsche 911 Turbo S	390 (530)	16.5	8.1	11.4	268
Porsche 911 Turbo S Cabriolet	390 (530)	16.7	8.2	11.5	270
Porsche Boxster Spyder	235 (320)	14.2	7.1	9.7	228
Porsche Boxster Spyder PDK	235 (320)	14.0	6.6	9.3	218
Porsche Cayenne	220 (300)	15.9	8.5	11.2	263
Porsche Cayenne Tiptronic S	220 (300)	13.2	8.0	9.9	236
Porsche Cayenne Diesel	176 (240)	8.8	6.5	7.4	195
Porsche Cayenne S	294 (400)	14.4	8.2	10.5	245
Porsche Cayenne S Hybrid	279 (380)	8.7	7.9	8.2	193
Porsche Cayenne Turbo	368 (500)	15.8	8.4	11.5	270
Porsche Panamera	220 (300)	16.4	7.8	11.3	265
Porsche Panamera PDK	220 (300)	12.7	6.9	9.3	218
Porsche Panamera 4	220 (300)	12.8	7.2	9.6	225
Porsche Panamera S	294 (400)	18.8	8.9	12.5	293
Porsche Panamera S PDK	294 (400)	15.3	7.8	10.5	247
Porsche Panamera 4 S	294 (400)	16.0	7.9	10.8	254
Porsche Panamera Turbo	368 (500)	17.0	8.4	11.5	270

Procurement

The cost of materials at the Porsche Zwischenholding GmbH group came to 4,492 million euro in fiscal 2009/10, up from 3,795 million euro in the prior year. In the area of production materials, this increase was mainly due to increased production volume and a change in the model mix and product substance.

Porsche hedges risks

Following significant falls in the price of key commodities in the period up to early 2009, commodity prices are again rising. However, the record level of 2008 was not matched during the reporting period. The effects on the company were contained by the Porsche Zwischenholding GmbH group's targeted hedging measures, compensatory measures in other cost components of production materials and numerous other measures for product and process optimization implemented jointly with suppliers. Overall material costs per vehicle were again reduced during fiscal year 2009/10.

Following the conclusion of several large-scale projects from the prior fiscal year, procurement of non-production materials and services was down on the prior year.

Collaboration between the investments

In the past fiscal year, the Porsche Zwischenholding GmbH group analyzed numerous options for closer collaboration with Volkswagen. The signing of a general cooperation agreement marked a significant milestone in the area of joint procurement. On the basis of this agreement, potential synergies were identified some of which have already been achieved. The goal is to pool the two companies' procurement for defined volumes and to benefit from Volkswagen's global procurement organization. Accordingly, the next steps will involve the gradual expansion of joint procurement in the areas of production materials and non-production materials.

Production supplies secured at the Porsche Zwischenholding GmbH group

During the reporting year, the automotive supply industry had to contend with the effects of the global financial and economic crisis. This situation was exacerbated by the very cautious lending policy of the banks and by rising refinancing costs. The massive worldwide increase in applications for insolvency protection within the automotive supply industry also affected Porsche's supplier base. Despite this critical development, Porsche collaborated successfully with suppliers to identify potential weaknesses at an early stage and improve suppliers' financial stability. This was achieved by the systematic application of Porsche's risk management system.

As a result of these preventive efforts, the number of supplier insolvencies seen by Porsche was significantly lower than in the industry as a whole. Even in critical cases, it was possible to avoid long-term disruption to the reliability and quality of supplies for vehicle production.

This is further confirmation that the tools deployed to monitor suppliers' financial stability ensure timely recognition of supply risks. The financial assessment therefore remains an important criterion for the selection of suppliers that is firmly integrated into the award system in the Porsche Zwischenholding GmbH group. In the new fiscal year, particular attention will continue to be given to the financial stability of the supplier base.

Supply situation for procured parts in the Volkswagen group

In 2009, supplies of procured components in the Volkswagen group were affected in no small measure by the difficult economic climate worldwide and the government support measures taken to stabilize the global economy. In many countries, unit sales in the luxury vehicle segments were particularly hard hit, plunging dramatically in some cases. This was countered by an equally steep increase in sales figures in segments comprising smaller vehicles with simple equipment features – a development attributable to subsidy programs as well as a change in cost and environmental awareness. Furthermore, in many cases component supply became extremely critical due to the large number of bankruptcies among suppliers.

These trends led to constant change in the group's component requirements throughout the year in terms of volume and mix. In spite of these challenges, the component and vehicle plants of all Volkswagen group brands received a steady supply of parts on schedule. This was also the case at the production facilities in China, which had to contend with a sharp rise in demand. The fact that this succeeded is thanks in particular to the systematic improvement in processes, especially in the areas of capacity, requirements and procured component management within the group's procurement organization. Intensified integration of processes with the other divisions involved also bore fruit. The Volkswagen group plans to continue this successful approach so that it can cope with new tasks as well.

Procurement of non-production materials

During the reporting year, the focus of the Porsche Zwischenholding GmbH group's procurement activities in the field of non-production materials was on the construction of a new paint shop at the Zuffenhausen plant.

The project to introduce a standardized procurement process for non-production materials in the Porsche Zwischenholding GmbH group was completed during the reporting period with the integration of further subsidiaries.

Systematic development of new markets by the Volkswagen group

The new production facilities in India, Russia and the USA provide fresh opportunities for the Volkswagen group's procurement. By pushing local procurement of components, Volkswagen secures cost advantages in these new growth regions, enabling the group to stay within budget.

To increase its share of value added generated by locally procured components in growth markets, Volkswagen relies on what is called radical localization: in other words, Volkswagen tries to find economical supply sources for raw materials in the relevant regions at an early stage of the process and in doing so optimize costs. Here, the group works closely with the technical engineering and quality assurance divisions. Through targeted radical localization Volkswagen is raising the proportion of material procured locally.

The group also makes use of globally competitive procurement sources for its European vehicle projects. This enables Volkswagen to leverage synergies from local production for exporting components and progressively reduce material costs in Europe without compromising on quality.

In this context, procured component management is an integral part of the Volkswagen group's international program. Suppliers at the individual group sites are supported by regionally active teams both in radical localization in the country in question and when exporting the components to group production facilities in other countries. The group also uses the services of a supplier management team that together with Quality Assurance is responsible for training local suppliers.

Production

Porsche Zwischenholding GmbH wins top accolade for quality

In the reporting period, the Porsche Zwischenholding GmbH group produced a total of 89,123 vehicles, 16.1 percent more than in the prior fiscal year. In Stuttgart Zuffenhausen, 20,159 units of the 911 model series and 4,737 units of the Boxster series were assembled. At Finnish partner Valmet, 7,518 units of the Boxster series rolled off the production line. 32,215 units of the Cayenne model series and 24,494 vehicles of the new Panamera series were produced at the Leipzig plant.

Customer satisfaction is the cornerstone of business success. By designating its products “premium”, Porsche promises innovative technology, outstanding handling characteristics and eye-catching design as well as excellent quality.

During the reporting year, numerous awards once again confirmed that Porsche’s models meet the highest quality standards. In the USA, which remains Porsche’s largest export market, the Initial Quality Study conducted by market research institute J.D. Power provided impressive testimony to this fact. In June 2010, Porsche once again took first place in the overall rating of this highly regarded survey which focuses on the quality of new cars. The survey rates customers’ satisfaction in the first three months following delivery of their vehicles. After coming first from 2006 to 2008 and second in 2009, Porsche placed among the leaders for the fifth consecutive year. In addition, the 911 sports car topped the Premium Sporty Car segment and was rated the second-best vehicle in the study as a whole. In the Large Premium Car segment, the new Panamera came third against established competitors. Porsche also took top honors in J.D. Power’s Vehicle Dependability Study. This prestigious brand survey polls owners of three-year-old cars that were purchased new on the reliability of their vehicles during the past twelve months.

In Germany, Porsche vehicles convinced testers from DEKRA and TÜV. The 911 took first place in the prestigious Autobild TÜV Report 2010 and honors garnered by the Boxster included best sports car in the eight- to nine-year-old vehicle category. In the current quality survey conducted by technical inspection organization DEKRA, the 911 is the best sports car with mileage of over 100,000 kilometers. In the SUV segment, the Cayenne came first in the 50,000 to 100,000 kilometer mileage category.

The high level of long-term customer satisfaction revealed by these studies is the result of a commitment to quality work. Even during product development, particular attention is given to ways of ensuring quality through the production process. Moreover, suppliers are also involved in quality assurance.

Start-up of the new Cayenne

In the reporting period, the focus was on the series start-up of the new Cayenne. This challenge was mastered thanks to the outstanding skills, motivation and flexibility of employees plus excellent planning. In particular, intensive planning was required to integrate a hybrid drive into the sporty off-roader as this forward-looking technology places entirely new demands on production.

The cutting-edge logistics concept introduced for the series start-up of the Panamera enables Porsche to further enhance productivity during the assembly of the Cayenne as well. The systematic implementation of lean production principles reduces stock to an absolute minimum.

Another notable development is the assembly of the Gran Turismo and the sporty off-roader on one line at the Leipzig plant. Assembling two such different vehicles places high demands on production planning and management.

Wide range of motors at Zuffenhausen

The engine plant in Zuffenhausen also saw a large number of start-ups in rapid succession. These included the new V6 engine for the Panamera and the V8 engines for the new Cayenne. At the engine plant, all V engines in the model mix are produced on one line which seamlessly integrates high-quality manual work with the latest assembly technology. At the development stage, particular attention was given to the engine design. This is because a standardized basic design is essential if the engines are to be produced efficiently on one line.

The same applies to production of the Boxer engines for sports car models. All sports car engines are produced on one line. In the reporting year, the 911 Turbo engines were integrated into the existing production line.

Paint shop with state-of-the-art environmental technology

By introducing one of the world's most modern and environmentally friendly paint shops, Porsche is enhancing innovative automobile production at its main Zuffenhausen plant. The new facility will enable Porsche to ensure the continued high-quality of vehicles produced in Zuffenhausen, while cutting costs and reducing environmental impact through highly efficient use of resources. The new paint shop will go into operation in 2011.

Supplying the world from Sachsenheim

The second construction phase of a central spare parts warehouse was completed in August in Sachsenheim, just under 25 kilometers from Porsche's main Zuffenhausen plant. Once the relocation has been completed the more than 650 dealers will be supplied centrally from the facility in Sachsenheim. The overarching aim is to further enhance the already excellent standards of service.

High product quality at the Volkswagen group

The Volkswagen group produced 3,232,180 vehicles in the period from 1 July to 31 December 2009. Between 1 January and 30 June 2010, the Volkswagen group produced 3,586,070 vehicles. Production in Germany made up 31.1 percent in the second half of the fiscal year.

Volkswagen brands principally rate the quality of a product on its reliability and appeal, but also on the basis of the after-sales service provided. Volkswagen has set itself the goal of becoming a product quality leader in the global market.

For the Volkswagen passenger cars brand, for instance, the sales and quality assurance divisions have set up a customer satisfaction program in collaboration with Technical Engineering in which concrete improvement measures are defined and implemented with the involvement of importers and sales companies for key markets such as Germany, China and Brazil. Examples include campaigns to improve services in sales and after-sales service, as well as new customer-oriented and market-specific product solutions. Volkswagen is beginning to see the fruits of its efforts in markets such as the United States, where the Volkswagen passenger cars brand now enjoys a much higher position in the customer satisfaction ranking developed by market research institute J.D. Power. The long-term program is scheduled to be rolled out in South Africa and Mexico in 2010 and extended to all regions and markets in the coming years. Similar customer satisfaction programs are being implemented by the Audi and Škoda brands.

The large number of start-ups across all group brands and corporate locations attested to Volkswagen's high levels of quality and enabled the number of repairs to be maintained at a consistently low level.

Efficient production management

Because Volkswagen continuously adjusts production to developments in the market and is remarkably flexible, it has succeeded in captivating customers with the Volkswagen group's young, appealing product portfolio, dramatically reducing stock levels at the same time.

By working hand in hand with the sales and procurement divisions, Volkswagen will further stabilize operations at its production facilities to reach ideal stock levels.

Volkswagen's superb product portfolio and the group's network of service providers will cushion the effects of the phasing-out of government incentive programs on the Volkswagen group. Intelligently scheduled customer orders and Volkswagen's ample tools for achieving flexible working practices will again provide the key for demand-driven production with minimum costs and optimized liquidity.

Sales and distribution network in the Porsche Zwischenholding GmbH group

At the beginning of the fiscal year 2009/10, activities in the worldwide sales and distribution networked focused on the introduction of the fourth model series, the Panamera. The systematic grounding for dealers delivered by the "Road to Panamera" initiative and its individual plans of action paid off. The sales and distribution network was ideally prepared and the market launch was a complete success. The next major challenge concerned the new Cayenne. The market launch kicked off in Europe in May 2010, followed by the America and Asia regions in June. The introduction of the five new models was supported in particular by comprehensive product and sales training.

Naturally, the qualitative and quantitative development of Porsche's sales and distribution network continues. The expansion of the dealership network in the regions is intended to continuously enhance market coverage. In China alone, the number of Porsche centers rose from eight to 33 in the past fiscal year – an increase of 32 percent. Porsche is also investing in other markets. The past fiscal year saw the completion of a total of around 100 construction projects – comprising new buildings and modifications – with an investment volume of some 200 million euro.

Porsche tops customer satisfaction ratings

Porsche's appeal to automobile fans is reflected in the brand's excellent results in many surveys. The string of opinion polls by US institute J.D. Power in which Porsche has come out on top demonstrates the high level of satisfaction with the brand among customers in the USA. In the reporting year, Porsche claimed first place for the sixth successive time in the overall rating of J.D. Power's "Automotive Performance, Execution and Layout Study (APEAL)" survey. Moreover, the Panamera and the 911 took second and third places in the best vehicle category. As in the prior year, the 911 came first in the "Premium Sporty Car" category. Conducted between November 2009 and February 2010, the study, in which 82,000 people evaluated their new vehicles, reflects owners' satisfaction during the first 90 days following their purchase. The catalog of criteria examined by the "APEAL" study covers areas such as handling, performance, design, practicality and comfort.

In addition, Porsche placed first in J.D. Power's "Vehicle Dependability Study". Conducted in October 2009, this survey polled 52,000 people on the long-term quality of their vehicles and reflects purchasers' satisfaction over a three-year period of ownership. The catalog of criteria used by the study in-

cludes areas such as the driving experience, vehicle interior, vehicle exterior, engine and transmission, features, controls and displays, as well as audio and entertainment.

In Germany, the Panamera made its debut in the annual reader survey of the magazine "auto motor und sport", placing first in the "luxury class" category in the prestigious "Best cars of 2010" poll. The Panamera went on to win the "Golden Steering Wheel" for the year's best new car in the luxury class. The prize was awarded by the German publications "Bild am Sonntag", "Auto Bild" and affiliated European titles.

Sales structure of the Volkswagen group

The Volkswagen group's multibrand structure allows continuous standardization of wholesale and retail processes. Management of the wholesale business, around 80 percent of which is handled by companies within the group, has also been successfully established in the emerging markets in recent years. The focus in wholesale and retail on proximity to customers, which is supported by an exclusive brand profile, plays a key role in increasing customers' satisfaction. The group meets demand for cross-brand support for fleet customers through key account management. Volkswagen's dealership partners and wholesalers alike can also leverage cross-brand synergies in this way. By optimizing structures and implementing programs to raise quality in sales and customer service, the group further improved the profitability and efficiency of the distribution network strategy. Volkswagen's close working relationship with dealers remains the focus of its distribution network strategy. Its implementation is supported by the conscious use of state-of-the-art communication media and technologies tailored to the specific needs of individual customer groups.

Customer satisfaction and customer loyalty in the Volkswagen group

The Volkswagen group's brands regularly measure the satisfaction of their customers in many countries with the help of specialized questionnaires that concentrate primarily on product and service quality. The results are analyzed and used to develop measures to further increase customer satisfaction. In terms of satisfaction with product quality, the Audi brand occupies a leading position in the core European markets. However, the scores of the other group brands for overall satisfaction are also encouraging.

Customers who are satisfied with the quality of Volkswagen's products and services are loyal customers. Customers' confidence in the group's brands is clearly reflected in the loyalty figures: for example, the Volkswagen passenger cars brand was able to maintain brand loyalty at a high level in its European

core markets. Škoda has also ranked among the leaders in terms of brand loyalty for many years. In its commercial fleet customer business, the Volkswagen group has a strong customer base in Germany and the rest of Europe. The group's principal advantage is that its competitive product portfolio can satisfy customers' individual mobility requirements in a one-step service. Particularly in Germany, its strong market positioning is supported by Volkswagen Leasing GmbH, whose leasing services and close cooperation with the sales organization give the group an edge over its competitors.

Professional service

In the field of service, the Porsche Zwischenholding GmbH group continued to foster the professionalization of its worldwide retail organization. One focus of these activities was the development of training programs for service technicians, with special emphasis on conditions in growth markets. For example, rapid professional training for new service technicians and mentor training for the Porsche centers were developed for the Chinese market. These programs are now being adapted for other growth markets such as Latin America and the Middle East.

The promotion of direct dialog bay, the focus on repair quality, and continuous auditing of the retail organization are bearing fruit. For example, Porsche gained eight percentage points in the "Good Customer Service" category of the "auto motor und sport" reader survey of Porsche drivers, taking first place.

The Volkswagen group also continued to enhance its customer service processes in the reporting year. The group's improved repair service and higher product quality in particular went a long way towards reducing the number of repeat repairs. In order to progressively increase customer satisfaction, the specialist areas, importers and sales companies participating in the customer satisfaction program are developing globally applicable standards for the processes – from product development to sales to after-sales service. The "Customer Satisfaction Forum" comprising representatives from the quality assurance, sales and technical engineering division coordinates the systematic implementation of these measures. This interdisciplinary approach enables projects that have proven to be effective in one market to be successfully implemented in other markets.

Employees

Employment situation at Porsche

In fiscal 2009/10, Porsche was again able to rely on the extraordinary commitment and flexibility of its workforce. Porsche's employees are the foundation for successfully adapting the company to a market environment that remains difficult due to the slow global economic recovery. As of the reporting date, the Porsche SE group had 37 employees (as of 31 July 2009, prior to deconsolidation of the Porsche Zwischenholding GmbH group and the Volkswagen group: 375,959 employees).

As of the reporting date, the Porsche Zwischenholding GmbH group employed a workforce of 12,722 – a 1.0 percent increase on twelve months previously. In addition to this figure, 219 employees were in the passive phase of the German special phased retirement scheme. 306 young people were in training.

Professional training

In the reporting year, all 100 of the Porsche Zwischenholding GmbH group's traineeships were filled. 80 trainees started in technical/manual professions and six on the commercial side of things. In addition, 14 students were recruited for twin-track vocational training in various disciplines. The three-year course, which has been offered for many years in conjunction with the Baden-Württemberg Cooperative State University (DHBW), leads to a Bachelor's degree. Following completion of their vocational training, some young people opt to pursue a course of study – often in engineering and vehicle technology. Porsche supports this academic training by granting trainees the necessary leave.

Ferry Porsche Prize awarded

In recent years, highly trained skilled employees and engineers have been essential to the success of the German automobile industry and Porsche. To ensure this remains so in the future, Porsche nurtures new talent in a variety of ways. Porsche AG and the Baden-Württemberg Ministry for Culture, Youth and Sport once again presented the Ferry Porsche Prize. Since 2001, this prize has been awarded to the year's best graduates in mathematics and physics/technology at general and vocational high schools in Baden-Württemberg. The aim of the Ferry Porsche Prize is to make mathematics and natural sciences more attractive and increase the appeal of engineering courses for prospective students. The annual highlight of activities for the Ferry Porsche Prize is the invitation of the 250 or so prize winners and their parents to the Weissach development center. This year the chairman of the supervisory board, Dr. Wolfgang Porsche, again personally congratulated the winners.

Systematically fostering talent

Porsche's strategic leadership process identifies staff with managerial potential and provides them with the skills needed to master future challenges. In the past fiscal year, the sixth round of the "Porsche Career Promotion for Junior Employees" (PNF) was successfully completed. As an integral element of Porsche's efforts to promote talent, PNF focuses on systematically identifying and nurturing young employees with potential, and forming long-term relationships with them. In the reporting year, 45 young talents from Porsche AG and the national subsidiaries completed the two-year program.

A preferred employer

In the reporting year, the most significant German surveys of employer appeal again confirmed the position of Porsche AG as one of the most popular employers of choice for students and graduates in the fields of engineering and business studies. This outstanding employer image is a fundamental requirement for attracting outstanding candidates in the future.

Interdisciplinary training

Interdisciplinary training is a key focus of personnel and management development at the Porsche Zwischenholding GmbH group. The aim is to pinpoint strategic training requirements at an early stage and plan corresponding measures. For example, the program for integrating new managers has been systematically continued and supplemented by new modules. As part of the Training for Development and Operations for Information Systems (QuEBIS) initiative, employees from the IT units and IT users were prepared for the future. New team leaders in the model series organization went through a special training program.

Employment situation in the Volkswagen group

As of 30 June 2010, the Volkswagen group had 363,614 active employees; 5,607 were in the passive phase of phased early retirement. 7,853 people were in training. Overall, the Volkswagen group had 10,377.074 employees at the end of fiscal 2009/10. This was an increase of 3.8 percent from 30 June 2009. The number of people employed in Germany was 174,434 (plus 1.6 percent). The German share of the workforce fell from 47.2 percent as of 30 June 2009 to 46.3 percent as of 30 June 2009.

Vocational development at Volkswagen

Vocational training has always had an important function at Volkswagen. It is as trainees in the company that a large number of the future specialists and managers start their career. Vocational training is therefore also essential for the development of specialist skills in the workforce. The Volkswagen group is also seeking to increase the number of traineeships available at its international locations.

Systematically encouraging and challenging its trainees is an issue of considerable importance at Volkswagen. An invaluable tool in this context is the "EFA" system for developing and nurturing trainees, on the basis of which trainees' willingness to learn, skills, creativity and customer focus have been continuously assessed and individually encouraged. Since 2006, on completion of their training, young people at the start of their career have had the opportunity to take part in the "Wanderjahre" (Years Abroad) program, spending twelve months at one of the group's international locations. So far, over 100 young employees of Volkswagen AG have gained work experience at Volkswagen's corporate sites in Portugal, the UK, South Africa and Mexico, at VW Group in Beijing, as well as at SEAT in Martorell, at Škoda in Mladà Boleslav and at Bentley in Crewe. In 2009, the main focus was on finding positions at Volkswagen AG in Germany for people on an international placement. A large group from South Africa, Mexico and Slovakia were placed for the first time in the Wolfsburg and Kassel facilities, for example.

One of the high points of vocational training at Volkswagen is the annual presentation of the “Best Apprentice Award” to the best trainees.

Going forward, uniform standards of expertise will form the basis of vocational training and securing a job at Volkswagen. These standards are currently being developed for four core automotive vocations with the goal of further standardizing and systemizing professional development across the various locations. At the same time, this aims to ensure that the curriculum for all vocational groups comprises the very latest knowledge and is at the cutting edge of technological development.

Volkswagen offers made-to-measure programs for graduates

The start of a person’s career shapes his entire working life, which is why Volkswagen launched the StartUp Direct program in 2008 to give young university graduates a head start in the company. Over a two-year period, participants in the program not only familiarize themselves with their own department and the company but also attend a large number of training seminars. These are supplemented by multiple-week placements in production and sales as well as an optional foreign placement.

University graduates with an international focus can alternatively enter the StartUp Cross program. This 18-month international trainee program includes a three-month international placement. Over 650 trainees have passed through one of these two programs since their launch in 2008.

The Student Talent Bank is Volkswagen’s staff development program for people who are still at university. In the last ten years, over 1,200 young people who demonstrated outstanding abilities and dedication during a national or international placement at Volkswagen have been included in the Student Talent Bank.

Environment

Environmental management in the Porsche Zwischenholding GmbH group

The issues of climate protection and sustainable use of resources are influencing politics, society and business worldwide. Global climate protection protocols and activities at European and national level are pushing reductions in CO_2 emissions and the consumption of fossil fuels. In particular, the transport sector, which accounts for some 25 percent of worldwide CO_2 emissions, is almost wholly dependent on mineral oil as a raw material, and has been at the center of the debate. As a result, the automobile industry is increasingly turning to environmentally friendly concepts, such as hybrid and electric drives, to complement the development of conventional drives. With Porsche Intelligent Performance, the Porsche brand is showing that sports-car appeal and premium quality are compatible with lower fuel consumption, and that increased performance does not exclude reduced CO_2 emissions.

The 918 Spyder concept study marries Porsche’s racing high-tech and electromobility: on the one hand the emissions of a microcar; on the other, the performance of a top-end sports car. Its hybrid technology is united with a lightweight body in conjunction with a high-revving V8 engine and two electric motors on the front and rear axles. The plug-in hybrid system combines the benefits of battery- and gas-powered vehicles. The lithium-ion batteries – the heart of the electrical motor – can be charged while the vehicle is in motion, from the mains socket or by converting kinetic energy into electrical energy during braking (recuperation). This enables the car to be run solely on electrical power for up to 25 kilometers. The 918 Spyder’s four driving modes offer a choice of settings ranging from efficiency to performance depending on the particular situation. The intelligent combination of electrical motors and combustion engine holds potential for high performance with minimal fuel consumption.

The new 911 GT3 R Hybrid incorporates a hybrid system specially developed for deployment in racing cars, with a design and components that differ significantly from conventional hybrid systems. For example, an electrical front-axle drive with two electric motors augments the six-cylinder Boxer engine at the rear of the GT3 R Hybrid. Instead of the batteries usually utilized in hybrid street vehicles, an electric flywheel storage system located in the interior space next to the driver provides the energy for the electric motors. The flywheel stores kinetic energy, which is transformed into electrical energy that can be accessed by the driver. In this way, the front-axle hybrid of the GT3 R Hybrid with its electrical flywheel energy recovery system delivers the high power throughput required by a racing car, plus intelligent, efficiency-enhancing power utilization during acceleration and recuperation. This makes it possible to reduce fuel consumption while matching the lap times of competitors with conventional drives.

A technically sophisticated parallel full hybrid drive was developed for the Cayenne S Hybrid. This system is built on a complex interplay of gasoline engine and electric motor. On the one hand, the vehicle can be powered by the gasoline engine, with the electric motor acting as an electricity generator. On the other, the nickel-metal-hydride battery allows the Cayenne Hybrid to be run on electricity alone at speeds of up to 60 km/h. This makes the parallel full hybrid an ideal system for everyday use – reducing consumption while increasing performance.

Participation in e-mobility field test

The Porsche Zwischenholding GmbH group is participating in the joint Stuttgart Electric Mobility Pilot Region initiative. From 2009 to 2011, the German federal government is supporting measures to promote market readiness and the expansion of national electric mobility via its Economic Stimulus Package II. Within the scope of its Electric Mobility in Pilot Regions program, the German Federal Ministry of Transport, Building and Urban Development is funding eight pilot regions. The individual projects are aimed at helping raise public awareness of electric mobility, test various ways of introducing it, and accelerate the launch of electrical vehicles on the mass market.

Under the umbrella of the pilot region, the company intends to create and test electrical sports cars based on the Porsche Boxster. Various aspects – including battery durability, charge and discharge cycles, range and acceptance of electrical vehicles and charging stations, and traffic safety in everyday conditions – will be subject to comprehensive testing. Customers' specific expectations of sports cars will also be taken into consideration.

Environmentally friendly power generation in the Porsche Zwischenholding GmbH group

Driving on electricity alone is only truly emission-free if the electricity for the batteries is generated using alternative energy sources. At Porsche, we have taken this into account. For example, the company has made available 40,000 square meters of roof space at its central spare parts warehouse in Sachsenheim (Baden-Württemberg) to Goldbeck Solar GmbH, which will operate some 8,500 photovoltaic modules there. The photovoltaic system can generate almost two million kilowatt hours of electricity annually, which is equivalent to the average power consumption of 625 electric vehicles. At the same time, it will save some 1,780 tonnes of CO_2 per year. This makes the photovoltaic system in Sachsenheim one of the most modern and powerful in the greater Stuttgart area.

The new, particularly environmentally friendly paint shop at the Zuffenhausen plant will go into operation in 2011. Thanks to 100 percent containment, the painting process will be completely protected from dust. An innovative electrostatic separator system for paint overspray reduces particle and solvent emissions to a minimum. Thanks to an increased volume of circulated air and an extremely efficient exhaust air purification system using a 10-meter (33-foot) chimney stack, the process does not require the otherwise mandatory 60-meter (200-foot) stack. The paint shop's state-of-the-art production technology keeps its emissions well below statutory limits.

Porsche's environmental efforts confirmed

Porsche AG's own environmental targets and efforts are put into practice throughout the group and are entrenched in its corporate policy. Accordingly, it is the company's declared intention to minimize the detrimental consequences of all of its activities on the environment, while supporting international efforts to solve global environmental problems.

As early as 1996, the Zuffenhausen production plant was validated to the Eco-Management and Audit Scheme (EMAS) which is applied Europe-wide. In 1995, as part of the EMAS validation and certification process, Porsche had already set up and installed an environmental management system which is used to continuously optimize the environmental performance of the company's sites. Since 1999, the Zuffenhausen plant has also been certified to the international DIN EN ISO 14001 standard, a central element of the updated EMAS III regulation. Environmental documentation, internal controls in the form of environmental audits, management of continuous improvement projects via environmental goals, and employee training are just some of the instruments used to promote this long-term corporate strategy. Thanks to the management system, Porsche is able to demonstrate that it is putting the responsibility it has assumed for environmental protection into practice.

Since 2002, 2005 and 2008, the Leipzig, Weissach and Sachsenheim facilities have also been certified to DIN EN ISO 14001. The environmental management system is continuously optimized by means of regular system and process audits. This involves input from a consultant qualified as an environmental auditor. In fiscal 2009/10, audits at all sites were again positive, ensuring the continued high quality of environmental management in the future. In addition, the environmental management system at the Zuffenhausen plant was again evaluated according to EMAS III and compliance confirmed. The evaluation was conducted by an environmental auditor from TÜV.

Environmental management in the Volkswagen group

Environmentally oriented management is one of the keystones of the Volkswagen group's corporate culture. Any business seeking to engage in sustainable development, respect for the environment and safeguard jobs must necessarily take account of social, economic and ecological aspects. This is reflected in Volkswagen's Environmental Policy, which is primarily built on two pillars. First, the group strives to continuously improve the environmental compatibility of its products over their entire life cycle. Second it aims to reduce the use of natural resources, with due regard for economic aspects. As a multinational corporation, Volkswagen has pledged to pursue these goals and has laid down internal specifications for its products and their production in the group's Environmental Principles.

Volkswagen is making environmental protection an increasingly important part of its processes in an effort to progressively scale back the use of downstream cleaning plants in the future, although it cannot abandon them entirely. Since 1995, Volkswagen's German sites have participated voluntarily in the EU Eco-Management and Audit Scheme (EMAS), while group sites worldwide have participated in environmental certification processes in accordance with the international standard ISO 14001. All environmental management systems are regularly reviewed and optimized in regular internal and external environmental audits. All locations are obliged to independently decide on environmental goals and programs in keeping with minimum group standards and continuously improve their environmental performance. In addition, Volkswagen organizes regional conferences at its locations outside Europe and ensures a uniformly high level of environmental protection in its operations with the environmental action plans developed in workshops.

Environmentally friendly production processes at Volkswagen

In view of the climate debate and the increasing scarcity of raw materials, Volkswagen uses not only fuel-efficient products but also environmentally friendly production processes. Key production environmental indicators were improved significantly in fiscal year 2009. The environmental data for the group's manufacturing locations is collected, validated and approved in line with an internal standard and a process standard. Annual updates to the environmental data enable the group to identify environmental pollution trends. New developments in paint shop technology protect the environment and help reduce costs. In the new processes, paint shop emissions, which even state-of-the-art electrostatic application methods fail to prevent, now dry out or are removed with light use of release agents. Large quantities of circulating water with agents for removing the paint are no longer used; this was the standard procedure in the past. These processes, which employ little or no water, allow more intensive and more efficient recirculation with conditioned fresh air, enabling substantial amounts of energy to be saved. Water as a resource is also conserved because circulating water is no longer used. Costly preventive measures for protecting the groundwater and soil are no longer needed in most cases because the new methods are dry or function with very small quantities of liquid. For example, in a paint shop with capacity of 150,000 bodyshells per year, around 8,000 tonnes of CO_2 can be saved. Volkswagen will use the improved method in its new plants in Chattanooga, USA and Chengdu, China, thus becoming the first automaker in the world to use it in painting production vehicles. This standard will also be applied to all other Volkswagen paint shops currently at the planning stage.

In the Chemnitz engine plant, Volkswagen has made the use of cooling and cold water more efficient so as to reduce energy costs and CO_2 emissions. The natural resource is used in two ways: first, the production areas are cooled before the water is then used for its actual purpose in the technical process, e.g. in the cooling towers. This dual use reduces capital expenditure and operating costs.

Fuel and drive train strategy

The main focus of the Volkswagen group's fuel and drive train strategy is on achieving sustainable mobility for society. The enduring goal of the group's development work is to become less dependent on fossil fuels and reduce the pollutants that vehicles emit.

Volkswagen assumes that vehicles with combustion engines – diesel or petrol – will continue to dominate our roads in the next 20 years, especially in emerging markets such as the Far East, India and Latin America. Volkswagen therefore believes it is imperative to make these engines increasingly efficient, though also compatible for use with the more carbon-neutral fuels of the future. The TSI and TDI engines that have been marketed successfully in combination with Volkswagen's innovative dual clutch gearboxes therefore remain key cornerstones of the group's drive train strategy.

When Volkswagen launched the new Polo, it expanded the range of smaller engines with direct petrol injection and a charger, thus implementing the group's highly successful downsizing strategy in a new segment of the automobile market. This strategy, which is based on Volkswagen's efficient TSI engines, applies to virtually all capacity classes and group brands.

Introducing clean diesel technology and the 1.6 l TDI common rail engine in the market enabled Volkswagen to reach significant milestones for diesel engines in 2009, which will ensure that Volkswagen

will remain the innovation leader in the field of diesel engine development. The clean diesel TDI common rail engines already comply with the Euro 6 emission standard due to come into effect in 2014. These engines have enjoyed considerable success in the North American market in particular, which tends to have a low take-up of diesel. Excellent fuel economy coupled with outstanding driving characteristics and low emissions won Volkswagen the 2009 Green Car of the Year award at the LA Auto Show. However, Volkswagen has again demonstrated the exceptional characteristics of state-of-the-art diesel engines in the European market as well by building the common rail engine into the Polo, Golf and Multivan/Transporter models and the three-cylinder TDI engine into the new Polo BlueMotion*.

The group also successfully continues its development activities in the area of alternative fuels. By introducing the new TSI EcoFuel engines in the Passat and Touran models, Volkswagen is attracting an increasingly broad range of buyers who prefer alternative fuels for both ecological and economic reasons. The combination of the TSI twin charger and natural gas (CNG) was rewarded with five stars in the ADAC's Eco Test for the Passat EcoFuel. Until then, no other vehicle had achieved the highest score. The group's engine range was also expanded to include a bi-fuel engine for the Golf that can be run on attractively priced liquid petroleum gas, as well as an Audi flexible fuel engine for the Audi A4.

In the past fiscal year, Volkswagen drove forward the electrification of the drives in its vehicles. By rolling out the Golf and the Tiguan as well as the Audi A3, A4 and A5, the Volkswagen group launched models with a large market volume that come with both start-stop technology and energy recovery functions. Braking energy recovery technology, which increases engine efficiency, has thus been integrated into Volkswagen's product portfolio. Volkswagen supplemented these hybrid concepts by developing the Touareg Hybrid. The combination of a TSI engine and a 38 kW electric motor promises fuel consumption of 8.1 l/100 km and CO_2 emissions of 193g/km – top figures in the sport utility vehicle segment. By adding the Touareg Hybrid to its engine range, the group is moving closer to a time when the entire drive train will be electric.

Volkswagen showed what full electrification of the drive train will look like when it unveiled the E-UP! at the IAA in Frankfurt. Its 60 kW electric motor and lithium ion battery pack give the E-UP! a range of up to 140 km and maximum speeds of 135 km/h, figures that impressed regular and industry visitors alike. Nevertheless, battery technology still faces huge challenges that will make it difficult to develop electric cars for mass production. Volkswagen will meet these challenges in cooperation with its development partners. The group believes that, in the coming years, vehicles with a pure electric drive will remain a niche market for the time being and first have to prove themselves in urban use.

* Fuel consumption and emission data can be found on page 46 of this report.

Opportunities and risks of future development

Risk report of Porsche SE

Integrated control and risk management system relevant for the financial reporting process

Organization and responsibilities

The accounting-related internal control and risk management system that is relevant for the financial statements of Porsche SE and the Porsche SE group is designed to ensure the complete, accurate and timely transmission of the information required for the preparation of the financial statements and the group management report of Porsche SE, and to minimize the risk of material misstatement in the accounts and in the external reporting.

For this purpose, key controls are integrated in Porsche SE's accounting-related internal control and risk management system, covering the areas of finance, treasury, investments, consolidation and reporting with clearly defined responsibilities. On aggregate, they are designed to ensure recording, preparation and assessment of business matters in financial reporting that is accurate and in compliance with the law.

Internal control and risk management systems that are relevant for the financial reporting process are also implemented in the Porsche Zwischenholding GmbH group and the Volkswagen group. Details of their scope are presented in the sections on significant investments held by Porsche SE. The subsidiaries included in the consolidated financial statements of Porsche SE in – addition to these investments – are covered by the systems implemented at Porsche SE.

Key features

For the purpose of group accounting Porsche SE lost control as defined by the IFRSs of the Volkswagen group on 3 December 2009 and of the Porsche Zwischenholding GmbH group on 7 December 2009. Whereas the two groups were still included in Porsche SE's consolidated financial statements by means of full consolidation at the beginning of the fiscal year, they have been included at equity since then.

The Porsche SE group's accounting is largely organized along decentralized lines. The reporting packages of the Porsche Zwischenholding GmbH group and the Volkswagen group as well as the related adjustments to the carrying amounts of these two investments accounted for at equity and the inclusion and consolidation of the remaining Porsche SE subsidiaries' reporting packages are processed at group level.

The group accounting manual of Porsche SE and formal instructions ensure uniform recognition and measurement based on the accounting policies applicable at Porsche SE, also after deconsolidation of the Porsche Zwischenholding GmbH group and the Volkswagen group. The components of the formal reporting packages required to be prepared for Porsche SE are set out in detail and updated regularly. The reporting dates that are relevant for the reporting units are set out in a reporting calendar.

In the course of preparation of the consolidated financial statements, the reporting packages are analyzed in detail, tested for plausibility and audited. In addition, interviews are held with representatives of the significant investments and the subsidiaries of Porsche SE as part of the financial statements closing process.

The data reports are processed in a consolidation system, which is based on standard software and to which access and rights are restricted by the existing authorization and access rules. The clear delineation of areas of responsibility and the application of the dual control principle during preparation of the financial statements is ensured by means of unambiguous rules.

The internal control system relevant for the financial reporting process and the guidelines for Porsche SE and its remaining subsidiaries were implemented with the involvement of Porsche SE's internal audit function. The control system and the guidelines are subject to appropriateness reviews and are updated on an ongoing basis.

Risk management and early risk warning

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

Since deconsolidation of the Volkswagen group and the Porsche Zwischenholding GmbH group on 3 December 2009 and 7 December 2009, respectively, for group accounting purposes in accordance with IFRSs, Porsche SE now acts as a pure holding company and its income consists mainly of dividend payments from the two investments. Risks faced by the (old) company Porsche AG used to have a direct effect on Porsche SE but that is no longer the case, in particular since termination of the domination and profit and loss transfer agreement with Porsche SE. The risks from investments therefore now only have an indirect effect on Porsche SE in the form of valuation, consolidation, dividend and liability risks. In addition, there are risks from the basic agreement and the associated corporate restructuring as well as from the investment held by Volkswagen AG in Porsche Zwischenholding GmbH.

These structural changes are also considered in the Porsche SE group's risk management, which consists of three autonomous, but nevertheless integrated risk management subsystems. Two of these subsystems are located at the level of Porsche Zwischenholding GmbH and Volkswagen AG (we refer to the section "Opportunities and risks of significant investments"). The risks of relevance at the level of Porsche Zwischenholding GmbH are covered by Porsche AG's early risk warning system which it is required by Sec. 91 (2) German Stock Corporation Act (AktG) to establish for the Porsche AG group. The subsystems are intended to identify, manage and monitor the risks resulting from the operating activities of the two investments that could jeopardize the investment's ability to continue as a going concern. The two investments are themselves responsible for their local risk management, but are required at the same time to inform Porsche SE as the holding company at an early stage of any risks jeopardizing the investment's ability to continue as a going concern.

The third subsystem, the risk management system at the level of Porsche SE, monitors the direct risks of Porsche SE as a single entity, the risks at the level of its subsidiaries and, as part of its integration function, the indirect risks from investments. The direct risks of Porsche SE as a single entity mainly comprise the financial and legal risks that are typical for a holding company.

The indirect effect of risks from the investments is taken into account by integrating the three subsystems in one group risk management system. Regular communication, in management talks among other things, ensures that Porsche SE as the holding company is informed directly of any risks to the company's ability to continue as a going concern should any such risks arise at the investments.

Porsche SE thus bears the responsibility for monitoring its own risks and, moreover, draws together all the findings from the risk early warning systems of the Porsche Zwischenholding GmbH group and Volkswagen group. It thereby ensures that risks are aggregated, consolidated, monitored and managed. The design of information flows and decision-making bodies at group level guarantees that the executive board of Porsche SE is always informed of significant risk drivers and the potential impact of the identified risks so as to take suitable countermeasures. The audit committee and the entire supervisory board are kept informed of the risk situation in regular reports.

Based on the assessment of the independent auditor, the risk early warning systems established by Porsche SE for the Porsche SE group and at the level of Porsche AG and Volkswagen AG for the Porsche AG group and Volkswagen group respectively meet the legal requirements of Sec. 91 (2) German Stock Corporation Act (AktG). In addition, the financial services segment in the Volkswagen group is subject to regular special audits by the Federal Financial Supervisory Authority pursuant to Sec. 44 of the German Banking Act (KWG) and other controls by the association's auditors .

Specific risks faced by Porsche SE

Due its function as a pure holding company managing investments, Porsche SE faces mainly financial and legal risks. Financial risks are managed using a comprehensive liquidity and financial management system that constitutes the central component of the integrated early warning system for the detection of risk. Freely available liquidity is a significant financial and risk indicator as it reflects both the financing and the investment strategy and is therefore included in the regular reporting.

Risks originating from the capital and credit markets

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

Liquidity has been secured until 30 June 2011 thanks to Porsche SE's refinancing completed in 2009 by means of a new credit line with a total volume of up to 8.5 billion euro. The implementation of the financing strategy also includes the fundamental attempt to transfer interest risks to a large extent to third parties at conditions that are economically reasonable. In the process, potential risks inherent in the interest components of the debt capital carried by Porsche SE are analyzed in terms of the expected development of interest rates and transferred to third parties if appropriate.

Liquidity risk

As described in the section "Considerably improved liquidity situation" under "Significant events" in this management report, the Porsche SE group's liquidity situation has improved significantly since 31 July 2009. On the one hand, this is attributable to the revocation of the restrictions on the power to dispose of the existing sight and fixed-term deposits of more than one billion euro which related to the options sold. On the other hand, Porsche SE received cash of 3.9 billion euro passed on by Porsche Zwischenholding GmbH in connection with Volkswagen AG's capital increase at Porsche Zwischenholding GmbH. Finally, an agreement was reached with a banking syndicate in December 2009 on replacing the line of credit agreed in March 2009. The total credit facility available to Porsche SE now amounts to 8.5 billion euro, of which only 7 billion euro has been drawn at present.

All of Porsche SE's shares in Volkswagen AG are used as collateral for the loan. If a potential sale of the pledged shares in Volkswagen AG does not satisfy the banks, further collateral has been provided in the form of a lien on the 50.1 percent share in Porsche Zwischenholding GmbH, as well as on the claims accruing to Porsche SE in the event that the call or put option relating to the 50.1 percent share in Porsche Zwischenholding GmbH is exercised. The 50.1 percent share in Porsche Zwischenholding GmbH has been assigned to a trustee as collateral.

The cash and cash equivalents held by Porsche SE, excluding restricted cash, totaled 0.9 billion euro as of 31 July 2010. In principle, Porsche SE additionally has at its disposal the aforementioned, currently unused line of credit of 1.5 billion euro.

To secure liquidity beyond 30 June 2011 it will be necessary for the capital increase of Porsche SE scheduled for the first half of 2011 to be performed by this date with an issue volume of at least 2.5 billion euro. The company's annual general meeting on 30 November 2010 will decide on the corresponding capital measures. According to the provisions of the new syndicated loan for 8.5 billion euro, the first tranche of 2.5 billion euro is due for repayment on 30 June 2011. The syndicated loan agreement stipulates that the funds used to repay the first tranche may not stem from the sale of Volkswagen AG shares or Porsche Zwischenholding GmbH shares.

Plans are to reach the final stage in creating an integrated automotive group, namely the merger between Porsche SE and Volkswagen AG, after the capital increase (in this respect we refer to our explanations in the section "Basic agreement on the creation of an integrated automotive group" under "Significant events" in this management report). If the steps involved in the merger of Porsche SE and Volkswagen AG do not take place as planned, Porsche SE might be left, following the repayment of the aforementioned first tranche, with residual debt that may have to be repaid by selling Volkswagen AG shares.

Risk from cash-settled stock options

The strategy to invest in Volkswagen was realized to some extent by means of cash-settled options for Volkswagen AG shares. In the past fiscal year, a large portion of options held by Porsche SE was sold to Qatar Holding LLC at their carrying amount by contract dated 14 August 2009.

In addition, Porsche SE settled further cash-settled options for Volkswagen AG shares in the past fiscal year. Porsche SE plans to sell the remaining cash-settled options it still held as of the end of the reporting period relating to about two percent of Volkswagen AG's ordinary shares. There is a liquidity risk for Porsche SE in the event of a fall in the share price of the VW ordinary share and sale or settlement of the options. Considering the small number of options, the executive board has assessed this risk as low and as a risk not jeopardizing the company's ability to continue as a going concern.

Risks originating from financial covenants

Porsche SE and various banks agreed on financial covenants in connection with the new syndicated loan concluded in 2009. They relate to earnings and share indicators of Volkswagen AG. The financial covenants were complied with as of 31 July 2010. They are reviewed on a monthly or quarterly basis. The loan agreement is deemed to have been infringed only if all financial covenants are breached at the same time. In that case, the banking syndicate is entitled to terminate the syndicated loan. The executive board currently does not see any indication that these covenants will not be met in the future.

Valuation risk

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

Risk arising from the use of financial instruments

In its business activities Porsche SE is exposed to risks arising from the primary or derivative financial instruments used.

The principles and responsibilities for managing and controlling these risks are defined by the executive board and monitored by the supervisory board. The risk controlling processes implemented in particular govern the ongoing monitoring of the liquidity situation in the Porsche SE group, the status of the remaining cash-settled options relating to Volkswagen AG shares, the development of interest levels on the capital markets and the monitoring of the financial covenants. The risks are identified, analyzed and monitored using suitable information systems. Moreover, transactions may only be concluded in permitted financial instruments, only with approved counterparties and on the admissible scale. Derivative financial instruments used by Porsche SE and its remaining subsidiaries are entered into mainly to manage interest rate and stock price risks as well as in relation to the sale of the remaining shares in Porsche Zwischenholding GmbH. Any default on Porsche SE's receivables, most of which are due to companies of the Porsche Zwischenholding GmbH group, could have a negative impact on Porsche SE's liquidity situation. In addition, the investment of cash also gives rise to counterparty risks. Regarding the term and call money investments at Porsche SE, however, they are hedged using hedging systems customary in the banking business. Cash investments are also exposed to interest rate risks.

If the financial position and results of operations of the Porsche Zwischenholding GmbH group and the Volkswagen group were to deteriorate materially, this could also lead to an impairment loss recognized on the significant investments in Porsche Zwischenholding GmbH and Volkswagen AG recognized in Porsche SE's consolidated financial statements and could reduce the profit or loss reported by the Porsche SE group. In order to ascertain any need to record an impairment, the company's own evaluations are prepared regularly and the assessments made by analysts are monitored with regard to the investment in Volkswagen AG.

Under the basic agreement Porsche SE and Volkswagen AG granted each other put and call options for the remaining 50.1 percent share held by Porsche SE in Porsche Zwischenholding GmbH. Regarding valuation of these options there is a risk of future changes in value that could have a negative impact on the Porsche SE group's results of operations. For further details, we refer to our disclosures on related parties in note [37] of the consolidated financial statements of Porsche SE as of 31 July 2010. The exercise price for the options is 3,883 million euro in each case and is subject to minor adjustments. In order to hedge any remaining claims of Volkswagen AG from the agreement between Porsche SE and Volkswagen AG on the investment held by Volkswagen AG in Porsche Zwischenholding GmbH, a retention mechanism was agreed in favor of Volkswagen AG for the purchase price payable in the event of the put or call options being exercised.

The remaining cash-settled options Porsche SE still holds as of the end of the reporting period relating to about two percent of Volkswagen AG's ordinary shares are subject to fluctuations in value that could have a negative impact on the profit/loss and liquidity of Porsche SE. In addition, similarly to the other financial instruments held by Porsche SE, there is a counterparty risk in that the counterparty might fail to meet its obligations or fail to do so when due. Please refer in this regard to our comments in the section "Risks from cash-settled stock options" in the management report.

A large portion of Porsche SE's financial liabilities is subject to floating interest rates and, as a result, interest payments are exposed to fluctuation over time that cannot be foreseen. Should interest rates rise, this would have an adverse effect on the company's liquidity situation. Porsche SE partially limits this risk by using interest rate hedges (cap structures). The amounts capitalized in connection with interest rate hedges are also exposed to fluctuations in value depending on the development of interest rate levels. Interest rate hedges are also exposed to counterparty risks.

For the risks from financial covenant rules regarding the syndicated loan concluded in 2009, please refer to "Risks originating from financial covenants" in this section of the management report.

Overall, Porsche SE's executive board considers the risks arising from the use of financial instruments to be low.

For further information on financial risk management, financial instruments used and the associated risks, please also refer to note [31] of the consolidated financial statements of Porsche SE as of 31 July 2010.

Further risks relating to the basic agreement and the associated corporate restructuring

As part of the basic agreement and the associated agreements implementing it, Porsche SE entered into a number of agreements with Volkswagen AG and entities of the Porsche Zwischenholding GmbH group. For further details, we refer to our disclosures on related parties in note [37] of the consolidated financial statements of Porsche SE as of 31 July 2010. The company's executive board considers the risk that the agreements made could have a significant adverse effect on the net assets, financial position and results of operations of the Porsche SE group to be low.

Litigation risk

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

There are investigations by the public prosecutor against the former members of the executive board Dr. Wendelin Wiedeking and Holger P. Härter in connection with allegations of share price manipulation. Porsche SE examined these allegations in detail and commissioned expert reports from two university professors with special expertise in the field of capital market law. The examination and the expert reports come to the conclusion that there was no infringement of the law. The investigations in connection with allegations of delayed publication of an ad hoc announcement and distribution of insider information in one case have already been closed due to insufficient evidence for a charge.

On 25 January 2010, 17 plaintiffs filed a complaint for damages in the USA against Porsche SE and former members of its executive board Dr. Wendelin Wiedeking and Holger P. Härter with the United States District Court for the Southern District of New York. On 29 April 2010 and 4 June 2010, the complaint was expanded to a total of 41 plaintiffs, and the alleged damages were estimated at more than two billion US dollars. The plaintiffs filed a third amended complaint on 21 July 2010 on account of a ruling issued shortly before by the U.S. Supreme Court. Whereas all 41 plaintiffs had filed claims in the second amended complaint with reference to the U.S. Securities Exchange Act of 1934, the number of plaintiffs referring to this legal basis for their claims was down to 16 in the third amended complaint. Six plaintiffs withdrew their claims against all defendants on the same day, 21 July 2010. On 20 May 2010, a claim for damages was submitted to the same court in New York, with damages claimed totaling “several hundred million dollars”. This claim was amended on 23 July 2010. Both complaints allege that Porsche SE’s activities in connection with its acquisition of a stake in Volkswagen AG during the year 2008 constituted market manipulation and securities fraud in violation of the U.S. Securities Exchange Act. Porsche believes that both complaints are inadmissible and without merit, and has sought their dismissal. In Germany, institutional investors have applied for conciliatory proceedings against Porsche SE with regard to the assertion of claims for damages on the basis of alleged breaches of statutory capital market regulations. These claims relate to the alleged loss of earnings, estimated by the investors to be around 2.5 billion euro. Porsche SE will not take part in the proceedings, and considers the asserted claims to be without merit.

The company deems that adequate provision has been made for the anticipated lawyers’ fees and litigation expenses.

Tax risk

The company considers that some of the stock option transactions it has entered into result in tax-free profits and tax-deductible losses. A dispute has developed between the company and the tax authorities with regard to the tax treatment of the stock option transactions. The tax authorities did not accept the opinion held by the company. Porsche SE has filed an appeal against the tax authorities’ decisions. Upon request, the tax authorities have granted a stay of execution on the subsequent tax payments until the final ruling on the tax treatment has been handed down. The risk relating to the Porsche SE group’s results of operations is fully covered by existing provisions. The maximum liquidity risk corresponds to the amount provided for.

Opportunities from potential synergies

The cooperation between the Porsche Zwischenholding GmbH group and the Volkswagen groups can lead to additional synergies for these significant investments held by Porsche SE in future. The two groups have been cooperating for ten years on the Colorado project, in which a platform was developed for the Porsche Cayenne, the VW Touareg and the Audi Q7. This project can serve as a model for new cooperation projects. Potential synergies could arise in the design of additional shared platforms and in the field of new technologies as well as autoelectrics and electronics. By avoiding duplicate investment, the annual depreciation charge of the Porsche Zwischenholding GmbH group and the Volkswagen group could be reduced, which could in turn have a positive effect on the earnings contributions attributable to Porsche SE. Moreover, the results of operations of both groups and thereby the profit/loss from investments accounted for at equity in the Porsche SE group can also be improved by combining purchasing functions and sharing existing sales channels.

Opportunities and risks of significant investments

Risk report of the Porsche Zwischenholding GmbH group

Integrated internal control and risk management system relevant for the financial reporting process

The accounting-related internal control system that is relevant for the financial statements of Porsche Zwischenholding GmbH and the Porsche Zwischenholding GmbH group is designed to ensure the complete, accurate and timely transmission of the information required for the preparation of the separate financial statements of Porsche Zwischenholding GmbH and the consolidated financial statements and the group management report of Porsche Zwischenholding GmbH, and to minimize the risk of material misstatement in the accounts and in the external reporting.

The separate financial statements of Porsche Zwischenholding GmbH and the subsidiaries are prepared in accordance with the applicable national laws, reconciled to IFRSs and transmitted to the group. The Porsche Zwischenholding GmbH group monitors developments in IFRSs centrally on an ongoing basis, checks their relevance and defines uniform, intragroup rules for implementing new accounting requirements. The group accounting manual ensures the application of uniform accounting policies based on the requirements applicable to the parent. Components of the reporting packages required to be prepared by the group companies are also set out in detail and requirements established regarding the presentation and settlement of intragroup transactions and the associated balance reconciliation process.

Control activities at group level include analyzing and, if necessary, adjusting the separate financial statements presented by subsidiaries, taking into account the reports submitted by the auditors and the meetings on the financial statements with representatives of the individual companies, at which both the plausibility of the separate financial statements and specific critical issues at the subsidiaries are discussed.

Alongside reasonableness reviews, the clear delineation of areas of responsibility and the application of the dual control principle are further control mechanisms applied during the preparation of the financial statements of Porsche Zwischenholding GmbH. Matters arising from agreements that are relevant in terms of accounting and subject to disclosure requirements are identified in full and presented appropriately as part of the accounting process. In addition, there are authorization and access rules that apply to IT systems of relevance for the financial reporting process.

The internal control system relevant for the financial reporting process is reviewed and enhanced as appropriate on an ongoing basis.

Risk management in line with the KonTraG

Porsche Zwischenholding GmbH is required by Sec. 91 (2) German Stock Corporation Act (AktG) to maintain an early warning system for the detection of risk. The group's risk situation and risk management is reviewed and documented annually in accordance with the requirements of the German Act on Control and Transparency in Business (KonTraG). The completeness and adequacy of documentation of the Porsche Zwischenholding GmbH group's early warning system for the detection of risk, which is also part of the Porsche SE group's early warning system for the detection of risk, was assessed by Porsche SE's independent auditors as part of their annual audit of the consolidated financial statements. Risk management, which forms an operational component of the business processes, is designed to identify risks in a timely manner, assess their extent and, where appropriate, take countermeasures.

Updating the risk documentation

Function-specific surveys of risks and measures carried out at certain divisions of the group defined in advance are used to record and update the potential risk position at appropriate rolling intervals. In the process, the qualitative likelihood of occurrence and the relative extent of any loss are assigned to each risk identified considering the countermeasures taken. The continuous updating of the risk documentation is coordinated centrally by Porsche AG's risk management department in cooperation with the planning department. The plausibility and adequacy of the risk reports are examined in detailed interviews with the divisions concerned.

The effectiveness of the Porsche Zwischenholding GmbH group's early warning system for the detection of risk was assessed based on this data during the audit of Porsche SE's consolidated financial statements. Porsche's early warning system for the detection of risk was found to satisfy the legal requirements of Sec. 91 (2) German Stock Corporation Act (AktG).

The leasing and hire-purchase business operated in the group's financial services division is additionally subject to regulatory supervision for finance leases as defined by Sec. 1 (1a) Sentence 2 No. 10 German Banking Act (KWG). As part of the reporting duties that apply for leasing companies, the group's financial services division has to fulfill certain formal, qualitative and quantitative requirements. Implementation of the minimum requirements for risk management is documented in a division-specific risk management manual and updated on an ongoing basis to reflect changes in law and new requirements.

Adherence to process organization rules, guidelines, instructions and descriptions is assured by internal controls performed by the risk officers appointed in the respective areas and by the internal audit function.

Goals and functioning of the risk management system

The group's risk management system is designed to identify potential risks at any early stage so that suitable countermeasures can be taken to avoid any developments that might jeopardize Porsche Zwischenholding GmbH's ability to continue as a going concern.

The risk management system is an integral part of the group's structure and process organization and is embedded in all of its daily business processes. The opportunities and risks in the group are assessed during the annual planning. Constant monitoring is provided throughout the year by means of the reporting system. Deviations are analyzed, recorded, and countermeasures initiated 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 management of Porsche Zwischenholding GmbH and/or the executive board of Porsche AG and propose solutions. This procedure allows negative trends to be identified promptly and immediate countermeasures to be taken. The documented reporting channels mean that management always has access to an overall picture of the current risk situation.

Porsche Zwischenholding GmbH and the Porsche Zwischenholding GmbH group are prepared to take transparent risks that are proportionate to the benefits expected from the business.

Continuous enhancement

The internal control system and risk management system are constantly optimized as part of Porsche's improvement process. Equal importance is attached to both internal and external requirements – such as the provisions of the German Accounting Law Modernization Act (BilMoG). The objective of the improvements made to the systems is to ensure continuous monitoring of the relevant risk areas, including the organizational units responsible, and more efficient structuring of risk processes.

Macroeconomic risk

The global economy has not yet recovered entirely from the effects of the global financial crisis. The recovery has been hampered, for instance, by the risk of illiquidity of some countries. Experts are also warning of a "real estate bubble" bursting in China, which could lead to inflation, among other things. This may also impact on the business operations of Porsche as a group with global operations, for which China represents a major sales market. The situation of the economy as a whole may make potential Porsche customers reluctant to buy a vehicle. Significant risks are also the continuing high prices for energy and raw materials, increasing protectionism and a sustained imbalance in foreign trade. Changes in the legislation, taxes and customs duties as well as a greater degree of permanent state intervention could also have a significant negative impact on the international activities of the group.

Industry risk

In the automotive industry the financial crisis gave rise to new risks or increased existing ones. Lower purchasing power among potential automotive customers has meant that a large number of automotive manufacturers have had to reduce their prices; cost-intensive marketing measures were implemented to gain an edge on the competition. Porsche also had to offer purchase incentives on several markets in order to optimize sales.

The automotive industry is the center of attention in the environmental debate. There is great public pressure to minimize fuel consumption, which could impact sales. Some markets are threatening to levy taxes or tolls in an attempt to reduce fuel consumption and CO_2 figures. Other markets have already introduced such regulations. Porsche is continuously working on improving fuel consumption and CO_2 figures of the vehicles to meet existing regulations or potential new regulations. So as not to adversely impact demand and sales, drive systems with reduced emissions are offered such as the hybrid drive for the Cayenne.

Risks arising from 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 in some cases but have a sizeable economic impact if they come to pass.

The statistics show that natural perils such as storm, hail, or earthquakes are becoming more frequent. In order to reduce such risks and the resulting interruption to production, the group has set up an emergency team that can take quick action in a coordinated manner to minimize the loss. Each case of loss leads to new findings. If these findings reveal a need to optimize the existing processes, the findings are evaluated in detail and, if need be, implemented in the risk mitigation organization.

Risks related to demand

Levels of demand and sales are also influenced by the changing economic landscape. Intensive monitoring of local markets and early warning signs enable the group to quickly spot a potential fall in sales. The general decline in demand for premium vehicles in the wake of the financial crisis has hit Porsche and its competitors alike. The fall in sales has been confronted by reallocating the geographical distribution of sales and introducing country-specific sales promotion packages. Despite these measures, Porsche had to introduce short-time work in production in Zuffenhausen in the reporting period.

The retail organization is granted terms of payment that involve the individual recipients being rated positively in terms of their economic performance, a rating that is reviewed regularly by a credit committee. Risk diversification and active risk management, such as obtaining the collateral customarily expected by banks as well as obtaining information and monitoring it daily also contribute to reducing the risk of default for the group.

Procurement risk

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

Risks arising from financial instruments

In its business activities the group is exposed to risks arising from the primary or derivative financial instruments used. The primary aim of using financial instruments is to limit the financial risk position for the group’s ability to continue as a going concern and its earnings power. In order to manage these risks, the group has set out guidelines to ensure that transactions are concluded only in financial instruments approved in advance, only with approved counterparties and on the admissible scale. Without using such instruments, the group would be exposed to higher financial risks.

In order to protect the group from currency risks, the treasury department reduces these risks on the basis of the planned sales figures by using currency hedging instruments. The company makes use of major international partners for forward transactions and options. Such cooperation is subject to standardized regulations and ongoing monitoring. Interest instruments such as interest rate swaps or options are used to hedge against interest risks. The financial instruments entered into for hedging purposes hedge lead to balance sheet risks in addition to counterparty default risks. The risk of effects on the presentation of results of operations in the income statement is limited by way of hedge accounting.

Default risks in receivables are reduced by means of an intensive receivables management system.

Channeling excess liquidity into investments exposes the group to further counterparty risks. Partial or complete failure by a counterparty to perform its obligation to pay interest and repay principal would have a negative impact on liquidity and accordingly on the net assets, financial position and results of operations. The group has set out clearly defined guidelines to manage these default risks and to ensure that only approved financial instruments are entered into with approved counterparties.

Liquidity risk

Porsche also pursues a policy of maximum financial security with regard to the assurance of liquidity. To ensure liquidity, Porsche AG negotiated a syndicated line of credit with a banking syndicate. In conjunction with the loan agreement, it was arranged with the banks involved that the group will deliver and comply with two financial covenants. The group satisfied these covenants this fiscal year that relate primarily to a rolling 12-month EBITDA (earnings before tax, financial result, depreciation and amortization) in relation to the net debt of the group's automotive segment. They are reviewed internally in the group on a monthly basis and reported to the syndicate of banks on a quarterly basis. The loan agreements are deemed to have been infringed if any one of the covenants is breached. In that case, the banking syndicate is entitled to terminate and immediately call the syndicated loan. The risk of non-compliance is deemed by the Porsche AG's executive board to be low.

Bonds of approximately 1.15 billion euro will fall due in the first half of 2011. Porsche AG's executive board is confident that it will be able to refinance them as necessary.

Residual value and credit risk in the financial services business

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

Development risk

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

IT risk

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

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

Personnel risk

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

Litigation risk

Like any other company, group entities 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.

Quality risk

High-quality products are crucial to the company's image. The development department works closely together with suppliers in order to achieve this. In addition to economic benefits, this collaboration also creates dependencies. Delayed deliveries or even failure to deliver can quickly lead to a standstill in production due to the "just-in-time" nature of parts deliveries. The group'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 assessment enables recognition of companies running the risk of insolvency at an early stage. Short development times and pressure on costs place high demands on suppliers.

Parts deliveries are regularly subjected to quality and punctuality checks.

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

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

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

Environmental protection regulations

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

In April 2009, the EU Commission set an upper limit of 130 g/km for the mean emissions of the entire European fleet of new vehicles in the period from 2012/2015 to 2020. A further ten grams should be attained by supplementary measures, such as the use of bio-fuels, low-drag tires, effective air conditioners and other technical improvements.

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

It is intended that the new EU CO_2 regulation will apply until 2020, after which the CO_2 regulations are likely to become tighter. Instead of the 130 g/km, the initial target is a mean emission of 95 g/km for the entire European fleet, which translates into a further 25 percent reduction in fuel consumption. The new regulation would have a major impact on the variety of products, the distribution among the segments and the earnings on the European market. Emission and CO_2 levels are also being reduced this way in the USA. As a small series manufacturer, Porsche has received an exemption until 2016, according to which Porsche vehicles may have a 25 percent higher fuel consumption compared to products of other (mass) producers.

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

Other factors

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

Overall statement on the risks faced by the Porsche Zwischenholding GmbH group

Based on the information currently available, no developments were identified in the Porsche Zwischenholding GmbH group that could jeopardize the ability of the group to continue as a going concern or that could significantly and negatively impact the net assets, financial position and results of operations of the group. The overall risk exposure of the Porsche Zwischenholding GmbH group is made up of the individual risks presented above, which are managed using the risk management system.

Risk report of the Volkswagen group

Integrated internal control and risk management system relevant for the financial reporting process

The accounting-related internal control and risk management system that is relevant for the financial statements of Volkswagen AG and the Volkswagen group comprises measures that are intended to ensure the complete, accurate and timely transmission of the information required for the preparation of the financial statements of Volkswagen AG and the consolidated financial statements and the group management report, and to minimize the risk of material misstatement in the accounts and in the external reporting.

Main features of the integrated internal control and risk management system relevant for the financial reporting process

The Volkswagen group's accounting is organized along decentralized lines. In some cases, accounting duties at individual subsidiaries are transferred to service providers. The separate financial statements of Volkswagen AG and the subsidiaries are prepared in accordance with the applicable national laws, reconciled to IFRSs and transmitted to the group in encrypted form. A standard market product is used for encryption.

The group accounting manual ensures the application of uniform accounting policies based on the requirements applicable to the parent. This manual and other group-wide accounting regulations stipulate specific formal requirements to be met by the consolidated financial statements prepared in accordance with IFRSs, in addition to the rules applicable to the financial statements of Volkswagen AG prepared in accordance with the German Commercial Code (HGB). In particular, these include more detailed guidance on the application of legal requirements and the determination of the entities to be included in the consolidated financial statements. Components of the reporting packages required to be prepared by the group companies are also set out in detail and requirements established regarding the presentation and settlement of intragroup transactions and the balance reconciliation process that builds on that.

Control activities at group level include analyzing and, if necessary, adjusting the separate financial statements presented by subsidiaries, taking into account the reports submitted by the auditors and the meetings on the financial statements with representatives of the individual companies, at which both the reasonableness of the separate financial statements and specific critical issues at the subsidiaries are discussed. Alongside reasonableness reviews, the clear delineation of areas of responsibility and the application of the dual control principle are further control mechanisms applied during the preparation of the financial statements of Volkswagen AG.

In addition, the financial reporting-related internal control system is independently reviewed by group internal audit in Germany and abroad.

Integrated consolidation and planning system

Since February 2009, group financial reporting has been using a new system, the Volkswagen consolidation and corporate management system (VoKUs), which is currently being extended to include planning functions. The aim of the project as a whole is to create a highly efficient, integrated group system that can be used to consolidate and analyze both financial reporting's backward-looking data and controlling's forward-looking data. On the basis of centralized master data management, standardized reporting and maximum flexibility with regard to changes to the legal environment, Volkswagen is building a future-proof technical platform that will benefit group financial reporting and group controlling in equal measure. To verify data consistency, VoKUs has a multi-level validation system that focuses on checking the completeness of the data delivered and carrying out content plausibility checks between the balance sheet and the income statement. To enable further plausibility checks to be performed, VoKUs supports materiality analyses and data screening for anomalies.

Risk management in line with the KonTraG

The company's risk situation is documented annually in accordance with the requirements of the German Act on Control and Transparency in Business (KonTraG). The adequacy of this documentation is assessed by the auditors. Risk management, which forms an operational component of the business processes, is designed to identify risks in a timely manner, assess their extent and, where appropriate, take countermeasures. Risk management at the Scania brand, which has been consolidated in the Volkswagen group since 22 July 2008, has not yet been integrated into the Volkswagen group's risk management system due to issues relating to Swedish company law. According to Scania's corporate governance report, risk management and risk assessment are integral parts of corporate management. Risk areas there are addressed and evaluated by the controlling department as part of financial reporting.

Updating the risk documentation

Standardized risk position surveys of both the risk managers of the individual divisions and the members of the boards of management and managing directors of investees are performed annually. Their responses are used to update the overall picture of the potential risk situation. In the process, the qualitative likelihood of occurrence and the relative extent of any loss are assigned to each risk identified and appropriate measures are specified for each risk category in the shape of guidelines and organizational instructions, so as to counter the risks concerned. The continuous updating of the risk documentation is coordinated centrally by group controlling in conjunction with group internal audit. Under the guidance of the auditors, the plausibility and adequacy of the risk reports are examined on a test basis in detailed interviews with the divisions and companies concerned. The auditors of Volkswagen AG assessed the effectiveness of the Volkswagen group's risk early warning system based on this information and established both that the risks identified were presented in a suitable manner and that measures and rules have been assigned to the risks adequately and in full. Volkswagen AG therefore meets the requirements of the KonTraG. In addition, the financial services division is subject to regular special audits by the German Federal Financial Supervisory Authority (BaFin) pursuant to Sec. 44 of the German Banking Act (KWG) and controls by association auditors.

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

The risk management system – goals and operation

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

The risk management system is an integral part of the Volkswagen group's structure and workflows and is embedded in its daily business processes. Events that may entail a potential risk are identified and assessed on a decentralized basis in the divisions and at the investees. Countermeasures are introduced immediately, their effects are assessed and the information is incorporated into the plans in a timely manner. The results of this risk management process are used to support budget planning and controlling on an ongoing basis. The targets agreed in the budget planning rounds are verified in revolving monthly planning reviews.

Equally, the effects of risk mitigation measures are incorporated into the forecasts in a timely manner. This means that the board of management always has access to an overall picture of the current risk situation through the documented reporting channels.

The Volkswagen group is prepared to enter into transparent risks that are proportionate to the benefits expected from the business.

Continuous enhancement

The Volkswagen group constantly optimizes its internal control system and its risk management system as part of its continuous improvement processes. Equal importance is attached to both internal and external requirements – such as the provisions of the German Accounting Law Modernization Act (BilMoG). The objective of the improvements made to the systems is to ensure continuous monitoring of the relevant risk areas, including the organizational units responsible. The focus is on reviewing the effectiveness of the management and monitoring instruments identified. This concept culminates in both regular and event-driven reporting to the board of management and supervisory board of Volkswagen AG.

Macroeconomic risk

The same applies for the Volkswagen group as for the Porsche Zwischenholding GmbH group in that the main risk for the medium-term development of the global economy is a prolonged phase of weak growth. In addition, substantial risks are associated with the continuing tight situation on the financial markets, capacity underutilization and the only sluggish improvement of the international job markets. The main risks continue to be high energy and commodity prices, growing protectionism and significant ongoing imbalances in foreign trade. Changes in legislation, taxes, or customs duties and a permanent increase in state intervention may also have a material adverse effect on the Volkswagen group's international business.

Sector-specific risk

The markets in Asia, South America, and central and eastern Europe are critical for growth in global demand for automobiles. However, some countries in these regions have high customs barriers or minimum local content requirements for domestic production that make it more difficult to increase sales volumes. The substantial market coverage in the main established markets entails risks relating primarily to price levels. In particular massive discounts, which are being used above all to promote sales in the US automotive market, but also in western Europe and China, continue to put the entire sector under pressure. As a supplier of volume models, the Volkswagen group would be particularly affected if competing manufacturers were to further step up their sales incentives.

Freight transportation faces the risk of transported volumes being shifted from commercial vehicles to other means of transport.

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

Volkswagen continues to approve loans for vehicle finance on the basis of the same cautious principles applied in the past, taking into account the regulatory requirements of Sec. 25a (1) German Banking Act (KWG).

The business climate for the Volkswagen group's trading and sales companies has deteriorated considerably as a result of the financial and economic crisis. In particular, bank finance for these companies' operations has become significantly more expensive and more difficult to obtain. The dedicated group support system offers automotive dealers and outlets financing on attractive terms via the group's financial services companies, thus minimizing the risk of their insolvency. In addition, the Volkswagen group has established a risk management system to identify in good time and counteract liquidity bottlenecks that could hinder smooth business operations.

With respect to the potential amendment of the Block Exemption Regulation for sales and customer service, we will take additional measures to exploit the opportunities that this offers and to mitigate potential risks.

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

Research and development risk

The Volkswagen group counters the risk of not taking customer requirements into account sufficiently during development by conducting extensive trend analyses, customer surveys and scouting activities. These measures ensure that trends are recognized at an early stage and that their relevance for customers is verified in good time.

In addition, there is a risk that it may not be possible to develop products or modules within the specified timeframe, to the required quality standards, or in line with cost specifications. To avoid this, the Volkswagen group continuously and systematically monitors the progress of all projects and compares this with the original targets. As a result, suitable measures can be initiated in good time in the case of deviations. The end-to-end project organization ensures that all areas involved in the process cooperate effectively. This enables specific requirements to be incorporated into the development process as early as possible and their implementation planned in good time.

The Volkswagen group's wide variety of research and development activities means that risks are not concentrated on particular patents or licenses.

Procurement risk

The global economic crisis has led to the supply situation on the commodities markets easing considerably, due to the drop in demand at the beginning of 2009. Strategic supplier selection in this market phase led to new contracts being signed. Volkswagen is continuing to observe the market environment and market developments closely, so as to be able to react in good time if necessary. In addition, it is working at high speed on ways of reducing materials usage and increasing utilization rates. We are also systematically pursuing lightweight construction strategies, such as substituting existing materials with optimized application-specific alternatives.

The decline in sales volumes associated with the global economic crisis has further increased consolidation in the international automotive supplier industry. Volkswagen AG adapted in good time to this situation by establishing and expanding its comprehensive procurement risk management system, which puts particular emphasis on risk prevention. Risk management continuously monitors suppliers' economic stability. If there is evidence of negative developments, appropriate measures are taken to ensure supplies and reduce additional risks. To date, ongoing risk classification and risk monitoring has enabled the Volkswagen group to avoid supply risks due to supplier defaults.

Production risk relating to demand

The turbulence on the world passenger vehicle markets resulting from the global economic slump led to substantial fluctuations in the number of units of individual models produced at the Volkswagen group's production facilities. Forecast installation rates for features or components are increasingly uncertain due to the unstable sales markets. The Volkswagen group mitigates this risk as the situation demands using the extensive flexibility measures available under its existing working time models. Together with its intelligent turntable concept and highly flexible suppliers, the Volkswagen group is confident that it will be able to optimally adapt the program at its vehicle and component plants to volatile market conditions. The Volkswagen group uses appropriate insurance contracts to hedge economic risks that may result from interruptions to production. Volkswagen ensures a high level of facility availability and stable output through regular preventive maintenance measures.

Risks arising from changes in demand

Consumer demand depends not only on real factors such as disposable income, but also to a significant extent on psychological factors that are impossible to plan for. For example, rising fuel and energy costs – combined with uncertainty over the future taxation of CO_2 emissions – could lead to unexpected buyer reluctance, which could be further exacerbated by media reports. The financial and economic crisis is having significant negative effects on global economic development and hence on the entire automotive sector. Many automotive markets have entered a downward spiral, which in some cases has assumed dramatic proportions, while others could only be supported through government intervention. Once the support programs launched by many governments run out there is a danger – particularly in saturated markets such as North America and western Europe – that owners will hold on to their vehicles for longer and that demand will drop as a result. The Volkswagen group is combating this buyer reluctance with its attractive range of models and in-depth customer orientation.

What is more, a CO_2-based vehicle tax, which has already been formulated in several European countries, and high oil and energy prices could lead to a shift in demand towards smaller segments and engines, and hence impact the group's financial result. The Volkswagen group is countering this risk by developing fuel-efficient vehicles and alternative fuels as part of its fuel and drive train strategy.

In the rapidly expanding markets of Asia and eastern Europe, risks may also arise due to government intervention in the form of restrictive lending or tax increases, which could adversely affect private consumption.

Dependence on fleet customer business

As in the past, the fleet customer business is experiencing increasing concentration and internationalization. In Europe, the Volkswagen group extended its market lead thanks to its extensive product range and target group-oriented customer care. No default risks concentrations exist for individual corporate customers.

Quality risk

Ever-growing competitive pressure means that product quality is becoming more and more important. In addition, the continuous increase in vehicle complexity and the new drive technologies that are becoming established pose new challenges for quality assurance. The Volkswagen group combats potential risks arising from poor quality in new vehicles from the design and development stage onwards by continuously developing new expertise and extensive safety mechanisms. In this way, quality assurance ensures that customer expectations are taken into account when designing new vehicles and that practical experience is incorporated into the development process. This is done in close cooperation with all divisions and with suppliers.

Personnel risk

The individual skills and knowledge of its employees are a major factor contributing to the Volkswagen group's success. The aim of becoming top employer in the automotive industry at all levels of the company improves Volkswagen's chances of recruiting and retaining the most talented employees.

The strategic, end-to-end personnel development gives all employees attractive training and development opportunities, with particular emphasis placed on increasing technical expertise in the company's different vocational groups. The Volkswagen group counters the risk that knowledge will be lost as a result of employee fluctuation and retirement with intensive, department-specific training. In addition to the standard twin-track vocational training, programs such as the StIP integrated degree and traineeship scheme ensure a steady rise in the number of highly qualified new employees in the company. The Volkswagen group has also expanded its base of senior experts in the group to ensure that the valuable knowledge of specialists leaving Volkswagen is transferred to other employees.

Environmental protection regulations

The new German Energy Conservation Regulation (EnEV 2009), which entered into force in Germany on 1 October 2009, aims to help reach national climate protection targets. On the basis of this Regulation, economically usable potential in buildings will be tapped, making the buildings more energy efficient. To this end, buildings' energy requirements will be adjusted in keeping with economic viability, the state of the art and trends in energy prices. Stricter heat insulation requirements for the building envelope are expected to reduce annual consumption of primary energy sources in the future. In addition, building services engineering will be required to become more energy efficient. This Regulation will affect building design and servicing facilities for Volkswagen's industrial buildings.

The G20 member states have pledged to limit global warming to 2°C and aim to reduce global greenhouse gases by 50 percent in the period up to 2050.

The third trading period in the European Union Emissions Trading Scheme is scheduled to begin in 2013. Under this scheme, which is due to run until 2020, the allocation of CO_2 emission certificates free of charge will be dramatically scaled back; at the same time, a large number of industries will be included that were previously not subject to emissions trading. This will place an additional burden on Volkswagen and other companies. To avoid a situation where production is moved to non-EU countries along with the associated CO_2 emissions, exceptions exist for the main industries affected. According to the European Commission, the automotive sector fails to satisfy the main criterion of trading intensity with non-EU countries of at least 30 percent. Along with higher costs, Volkswagen will therefore see administrative and monitoring expenses increase sharply in the near future.

Higher prices for energy and emissions rights do not only apply to the Volkswagen group's own facilities but will also increase material prices, especially in the case of steel and aluminum. Volkswagen is using an energy management system and energy conservation programs to counteract the possible financial repercussions and risks to its image. In addition, Volkswagen operates its own highly efficient power plants for generating power and heat, and is therefore able to secure part of its energy supplies itself.

In accordance with the product-related climate protection regulations, the scope of the EU Regulation capping CO_2 emissions from passenger cars is currently being expanded to include light commercial vehicles. Flanking measures designed to influence consumer behavior and fiscal policy in EU member states by way of a CO_2-oriented vehicle tax will create strict requirements within the EU with a planning horizon of up to around 2020. At the same time, the European regulatory framework is developing into a model for other international regulations, for example in India. Current draft regulation on CO_2 emissions and fuel consumption in China, the United States and Korea is also influenced by developments in the EU, leading to increased global convergence of regulatory approaches and targets. In 2009, this trend was even reflected in the economic stimulus packages implemented around the world in the form of similar provisions for environmental or scrapping incentives. This is in line with the auto industry's call for lower trade barriers as well as global harmonization of technical regulations and a political framework.

Given the growing product differentiation in the global markets, harmonization of the general framework is instrumental in creating a more level playing field, which will increase demand for innovative technologies that are available worldwide. Volkswagen has identified this trend and set itself the goal of becoming the international technology leader in the automotive industry and expanding its lead over time. The Volkswagen group is well on the way to achieving this goal with cost-efficient technologies whose economies of scale are leveraged successfully throughout the entire group.

Further developments, especially in climate protection regulation following the Kyoto Protocol, will affect the entire transport sector. Emissions trading, which previously did not extend to passenger cars and light commercial vehicles, will now be discussed in the context of its potential to reduce CO_2 emissions in freight transport and along the whole logistics chain. At the same time, future emission reduction requirements will also include air and maritime transport, requiring a reassessment of the profitability of existing industrial and distribution structures.

The World Climate Conference in Copenhagen failed to live up to high expectations that the summit would produce a global framework for climate protection. Due to the lack of agreement on concrete reduction targets for the individual regions and countries, it is still impossible to say how strict climate protection requirements will be in the future. Requirements will still vary quite considerably from region to region. On a positive note, however, all member states agreed that global warming should be held at 2°C. This has created a solid basis for further negotiations and provides hope for a meaningful, economically viable reconciliation of interests.

Legal cases

In the course of their operating activities, Volkswagen AG and the companies in which it is directly or indirectly invested become involved in legal disputes and official proceedings in Germany and internationally. In particular, such proceedings may occur in relation to suppliers, dealers, customers or investors. For the companies involved, these may result in payment or other obligations. Particularly in cases where US customers assert claims for vehicle defects individually or by way of a class action, highly cost-intensive measures may have to be taken and substantial compensation or punitive damages paid. Corresponding risks also result from US patent infringement proceedings.

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

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

Strategies for hedging financial risks

The Volkswagen group's business activities entail financial risks that may arise from changes in interest rates, exchange rates, commodity prices and fund prices. Management of these financial risks and also liquidity risks is the responsibility of the central group treasury department. The group's board of management is informed of the current risk situation on a regular basis. The Volkswagen group manages these risks by employing primary and derivative financial instruments.

The group hedges interest rate risk and risks arising from fluctuations in the value of financial instruments by means of interest rate swaps, cross-currency swaps and other interest rate contracts with matching amounts and maturity dates. This also applies to financing arrangements within the Volkswagen group.

Foreign currency risk is reduced primarily through natural hedging, i.e. by flexibly adapting production capacity at the locations around the world, establishing new production facilities in the most important currency regions and also procuring a large percentage of components locally, currently for instance in India, Russia and the USA. The residual foreign currency risk is hedged using hedging instruments. These include currency forwards, currency options and combined currency and interest swaps. These transactions are used to limit the currency risk associated with forecast cash flows from operating activities and intragroup financing in currencies other than the respective functional currency. These contracts may have a term of up to six years. The Volkswagen group therefore hedges principal foreign currency risks associated with forecasted cash flows in the following currencies: US dollars, British sterling, Mexican pesos, Russian rubles, Swedish krona, Czech koruna, Polish zloty, Brazilian real, Chinese renminbi, Australian dollars, Swiss francs and Japanese yen – mostly against the euro.

The purchasing of raw materials gives rise to risks relating to availability and price trends. The risks are limited by entering into forward transactions and swaps. Appropriate contracts are used to hedge some of the commodities needed, such as aluminum, copper, lead, platinum, rhodium and palladium, over a period of up to eight years. Similar transactions have been entered into for the purpose of supplementing and improving allocations of CO_2 emission certificates. The Volkswagen group added hedging transactions in 2009 for the quantities of coal it purchases.

The solvency of the Volkswagen group is ensured at all times by providing sufficient liquidity reserves, access to confirmed credit lines and tried-and-tested money market and capital market programs. The capital requirements of the growing financial services business are covered mainly through borrowings at matching maturities raised in the national and international financial markets. Refinancing costs, which had risen sharply when the financial crisis broke, started to return to pre-crisis levels in the second half of the year 2009. By diversifying when it invests excess liquidity and by entering into financial instruments for hedging purposes, the Volkswagen group ensures that it remains solvent at all times, even in the event of a default by individual counterparties.

Credit lines from banks are generally only ever used within the Volkswagen group to cover short-term working capital requirements. Projects are financed by, among other things, loans provided at favorable interest rates by development banks such as

the European Investment Bank or the European Bank for Reconstruction and Development (EBRD), but also by national development banks, such as KfW or Banco Nacional de Desenvolvimento Econômico e Social (BNDES). This extensive range of options means that any liquidity risk to the Volkswagen group is extremely low.

Risks arising from financial instruments

Channeling excess liquidity into investments exposes Volkswagen to counterparty risk. Partial or complete failure by a counterparty to perform its obligation to pay interest and repay the principal would have a negative impact on earnings and liquidity. The Volkswagen group counters this risk through counterparty risk management.

The financial instruments entered into for hedging purposes hedge balance sheet risks in addition to counterparty risk. These balance sheet risks are mitigated through hedge accounting.

Liquidity risk

A rating downgrade could adversely affect the terms attached to the Volkswagen group's borrowings. One important factor in this context is Volkswagen AG's interest in Dr. Ing. h.c. F. Porsche AG, which resulted in a high outflow of liquidity. To maintain its existing ratings, Volkswagen AG announced a planned capital increase through the issue of new preference shares for the first half of 2010. Based on the proceeds from the capital increase and its currently higher liquidity, the company does not anticipate any liquidity risks.

Residual value risk in the financial services business

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

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

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

More information on residual value risk and other risks in the financial services business, such as counterparty, market and liquidity risk, can be found in the 2009 annual report of Volkswagen Financial Services AG.

IT risk

At Volkswagen, a global company geared towards further growth, the information technology (IT) used in all divisions group-wide is assuming an increasingly important role. IT risks may occur as a result of unauthorized access to sensitive electronic corporate data and information, limited availability as a consequence of systems failure, or natural disasters. The Volkswagen group addresses the risk of unauthorized access to corporate data by using firewall and intrusion prevention systems as well as virus scanners. It achieves additional protection by restricting the allocation of access rights to systems and information and by keeping backup copies of critical data resources. Permanent availability and the security of the systems are ensured through professional operation of the IT facilities, for which the Volkswagen group uses technical resources that have been tried and tested in the market – in keeping with the standards applicable throughout the company. By implementing redundant IT infrastructures the Volkswagen group hedges risks that could occur in the event of a natural disaster.

The intensity and sophistication of attacks on IT systems and data resources increases as Volkswagen's importance as a multinational corporation grows. This is why Volkswagen continuously takes measures against identified and anticipated risks during the software development process, when protecting the IT infrastructure and also in the allocation of access rights to systems and data resources.

Rapid technical advancement has created a residual risk, especially regarding the threat to IT security, which cannot be managed completely.

Other factors

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

Overall statement on the risks faced by the Volkswagen group

The Volkswagen group's overall risk situation results from the specific risks shown above. The Volkswagen group's comprehensive risk management system ensures that these risks are controlled. On the basis of the information currently available, there are no risks that could pose a threat to the continued existence of the Volkswagen group.

Overall statement on the risks faced by the Porsche SE group

The overall risk exposure of the Porsche SE group is made up of the individual risks relating to the significant investments held in Porsche Zwischenholding GmbH and Volkswagen AG presented above and the specific risks of Porsche SE. The risk management system ensures that these risks can be controlled. Taking into account the risks described above, on the basis of the information currently available to us, there are no risks that could endanger the ability of the Porsche SE group to continue as a going concern.

Subsequent events

The section on “Significant events” in this management report already contains comments on events that occurred after the close of the fiscal year 2009/10.

The Volkswagen group has also extended its board of management as part of its Strategy 2018. With effect as of 1 October 2010, Prof. Dr. Jochem Heizmann, previously in charge of “Group Production”, will take over the new “Group Commercial Vehicles” portfolio on the board of management and manage the group’s truck activities in future. Mr. Michael Macht, previously CEO of Porsche AG, has been appointed to Volkswagen AG’s board of management as his successor.

Forecast report and outlook

Overall economic development

The recovery of the global economy as a whole that became apparent in 2010 varies significantly between the different regions of the world. Of the traditional industrialized countries, the US was initially the largest growth driver. In Japan, the recovery is principally being driven by international demand from Asia and the US. Western Europe has also left the recession behind it, but is experiencing particularly diverse developments. Whereas Germany is providing impetus for the economic development in the European Union, the southern European countries are forced to steer a tough consolidation course on account of their budget deficits. Greece saw rather dramatic developments, which gave rise to serious doubt regarding the future of the euro. The situation is similar in the emerging countries: China and India are exhibiting such strong growth that these two countries, together with Brazil, have become the mainstays of the global economy. On the other hand, eastern European countries are experiencing a gradual recovery only.

The economic boom in China and other emerging countries involves the risk of increasing dependence of the traditional industrialized countries on high exports to these countries. Should demand from China and other emerging countries decrease considerably, this would have negative repercussions for the global economy as a whole. This applies all the more in view of the downward trend in consumption in some of the world's major economies due to the massive destruction of assets, as seen for example on the real estate markets in the US, Spain or the UK during the recession.

In addition to this, the end of government recovery programs around the world is a further cause for uncertainty. During the recession governments and central banks had brought the downward trend to a halt by means of billions of financial aid. The scrappage bonus introduced in Germany, which produced very high car sales in 2009 and expired at year-end, illustrates how successful these measures were. When it ended, the German automotive market experienced a fall of close to 30 percent in the first half of 2010 as a result of the loss of this government-subsidized demand.

Conclusion: The recovery of the global economy is likely to lose momentum towards the end of 2010, slowing to moderate growth by 2011 at the latest.

Exchange rate developments

Overall, exchange rates were heavily affected by the global economic and financial crisis. After the euro reached its highest level for the reporting period at 1.51 US dollars in November 2009, the exchange rate then fell by more than 20 percent as a result of the lack of confidence in southern European countries. The markets started to recover again by mid-2010, but are not expected to return to the previous highs in the medium term. The difficulties faced by the European Monetary Union had been highlighted all too clearly.

Interest rate developments

The European Central Bank (ECB) maintained the key interest rates at their historically low level of 0.25 percent for deposit facilities and 1.0 percent for lending facilities throughout the reporting period. The ten-year capital market returns fell continuously over the same period from 3.7 percent to 2.9 percent. The ECB is likely to maintain its cautious policy in view of the uncertainty prevailing on the financial markets and the low rate of inflation.

Commodity price developments

The price of aluminum climbed from some 1,800 US dollars to 2,400 US dollars in the reporting period. However, as stocks increased at the same time it then returned back to its starting level again within just a few weeks as of April 2010. In the medium term, the price is forecast to be above 2,000 US dollars. The price for crude oil displayed a lower level of volatility in the reporting period, ranging between 70 and 80 US dollars per barrel. It is expected to stay within this range for the time being.

Prospects on the automotive markets

In western Europe, the automotive market will in 2010 not be able to match the prior-year level because government recovery programs either expired at the end of 2009, like in Germany, or will end in 2010, like in France, Spain and the UK.

Overall, however, the automotive market will pick up again in 2010, with the largest single markets, China and the US, displaying high growth rates. In Japan and India automotive sales grew at double-digit rates in the first half of 2010, and in Brazil the increase came to around seven percent. The Russian market, which had lagged behind significantly in the first quarter of 2010, recorded strong growth in the second quarter.

As demand picks up again and government recovery programs come to an end, the sales markets will return to their pre-crisis structure. While the manufacturers of small and compact cars were those who benefitted most from the scrappage bonus in Germany in 2009, prospects are now good for manufacturers of luxury vehicles. The German luxury brands are also benefitting particularly from the current boom in China.

Overall statement on the expected development of the significant investments

The Porsche Zwischenholding GmbH group expects the trend that became apparent in the past fiscal year to continue in the short fiscal year, with sales and revenue increasing again. This is substantiated not only by the steadily increasing demand for Porsche vehicles in China and Middle East – unit sales are also forecast to rise overall on the traditional sales markets of Europe and North America, not least due to the great interest shown by customers in the new generation of Cayenne models and Porsche’s fourth model series, the Panamera.

The Volkswagen group’s presence in all key regions around the world, its multi-brand strategy and technological expertise and the most up-to-date, most environmentally friendly and broadest vehicle range that has resulted from that expertise are key advantages for the Volkswagen group. The Volkswagen group’s nine brands will again unveil a large number of new models in the second half of 2010, thus systematically extending the Volkswagen group’s position in the global markets. The Volkswagen group therefore anticipates that the deliveries to customers by 31 December 2010 will be significantly higher than in 2009, due among other factors to the positive growth in China.

The dynamic growth in the Volkswagen group’s revenue and profit in the first half of 2010 will not continue undiminished in the second half of the year. Nevertheless, the Volkswagen group expects its revenue and operating profit in 2010 to will be significantly higher than the prior-year figures, despite shifts in volumes between the markets. In addition, exchange rate effects will have a positive effect on earnings. Volkswagen will also continue to focus on disciplined cost and investment management and the continuous optimization of its processes. In doing so, Volkswagen will systematically pursue the core elements of the “18 plus” strategy – ecological relevance and the return on its vehicle projects.

Overall statement on the expected development of the Porsche SE group

Since deconsolidation of the Porsche Zwischenholding GmbH group and the Volkswagen group, Porsche SE has essentially been functioning as a holding company managing equity investments. The Porsche SE group's profit/loss is highly dependent on the results of operations and the profit/loss of the significant investments accounted for at equity in Porsche Zwischenholding GmbH and Volkswagen AG attributable to the Porsche SE group. Porsche SE records investment income in the form of dividends in its separate financial statements prepared in accordance with the German Commercial Code.

This short fiscal year, which was created based on the resolution adopted by the company's annual general meeting on 29 January 2010 to align the fiscal year with the calendar year, will be the first time Porsche SE has not included the profit/loss attributable to it from its investment at equity in Volkswagen AG with a delay of one month. Consequently, the Volkswagen group will be included at equity for the period from 1 July 2010 to 31 December 2010 in Porsche SE's profit/loss for the short fiscal year running from 1 August 2010 to 31 December 2010.

In light of the cautious recovery of the automotive markets seen in the past few months, Porsche SE expects the profit/loss from its investments accounted for at equity to show a positive development. The profit/loss from its investments accounted for at equity will, however, continue to include the effects, albeit decreasing over time, resulting from amortization of the purchase price allocations begun at the time of inclusion of Porsche Zwischenholding GmbH and Volkswagen AG as a joint venture and as an associate. In addition, the interest payments associated with the existing syndicated loan will have a negative impact on the group's profit/loss until this loan has been repaid. Overall, Porsche SE expects at least to break even in the current short fiscal year. In the fiscal year 2011, which corresponds to the calendar year, the company expects to record a profit at group level.

Porsche SE will push ahead over the next few months with preparations for the capital increase, which is intended to play a decisive role in reducing the company's liabilities. After implementation of the capital increase in 2011, Porsche SE in accordance with the basic agreement shall be merged into Volkswagen AG. The proceeds from the capital increase shall be used for repayment of the syndicated loan of Porsche SE; among others, this shall lay the foundations for the merger. The basic agreement provides that the shareholders' resolutions for the merger shall be taken until 31 December 2011.

From today's perspective it remains uncertain whether the timetable for the merger provided for in the basic agreement can be met. The legal and tax assessment of the complex transaction to be made in accordance with the basic agreement has not yet been completed. This is due to external factors, among them the fact that the tax framework for the merger is not yet set. Further, with regard to the damages claims filed in the US against Porsche SE and the damages claims raised by certain funds in Germany against Porsche SE (for both matters please refer to section "Litigation risk" under "Opportunities and risks of future development" in this management report), at the current stage of those proceedings, no final assessment of the consequences of those claims for the merger is possible. The executive board of Porsche SE currently assumes that a successful clarification of the current uncertainties is possible and hence the merger will take place, even though possibly not within the ambitious timetable provided for in the basic agreement.

Stuttgart, 1 October 2010

Porsche Automobil Holding SE

The executive board

2

Separate financial statements

Balance sheet of Porsche Automobil Holding SE as of 31 July 2010

EUR000	Note	31/7/2010	31/7/2009
Assets			
Fixed assets	[1]		
Intangible assets		3	5
Property, plant and equipment		399	341
Financial assets		24,770,873	24,838,034
		24,771,275	24,838,380
Current assets			
Trade receivables	[2]	4,347,535	2,702,869
Other receivables and assets	[3]	229,868	1,202,134
Cash and cash equivalents	[4]	886,560	2,163,563
		5,463,963	6,068,566
Prepaid expenses	[5]	53,294	263,203
		30,288,532	**31,170,149**
Equity and liabilities			
Equity			
Subscribed capital	[6]	175,000	175,000
Capital reserves	[7]	121,969	121,969
Retained earnings	[8]	12,184,016	7,688,293
Net profit available for distribution		4,495,724	8,225
		16,976,709	7,993,487
Provisions	[9]		
Provisions for pensions and similar obligations		6,449	6,331
Sundry provisions		1,565,990	3,365,087
		1,572,439	3,371,418
Liabilities			
Liabilities to banks	[10]	7,000,000	10,560,687
Trade payables	[11]	2,486	4,310
Sundry liabilities	[12]	4,736,898	9,240,247
		11,739,384	19,805,244
		30,288,532	**31,170,149**

Income statement of Porsche Automobil Holding SE for the period from 1 August 2009 to 31 July 2010

EUR000	Note	2009/10	2008/09
Revenue	[13]	0	5,299
Other operating income	[14]	641,494	52,789,968
Personnel expenses	[15]	– 17,826	– 76,884
Amortization and depreciation		– 108	– 42
Other operating expenses	[16]	– 631,111	– 55,406,530
Income from investments	[17]	9,849,593	2,991,698
Interest result	[18]	– 850,595	– 746,509
Income from ordinary activities		**8,991,447**	**– 443,000**
Taxes		0	– 552,510
Net profit (prior year: net loss)		**8,991,447**	**– 995,510**
Withdrawals from retained earnings		0	1,003,735
Transfer to retained earnings		– 4,495,723	0
Net profit available for distribution		**4,495,724**	**8,225**

Notes to the financial statements of Porsche Automobil Holding SE as of 31 July 2010

Notes to the financial statements

Basis of accounting

The financial statements of Porsche Automobil Holding SE (hereinafter referred to as Porsche SE) have been prepared in euro in accordance with the provisions of the HGB ["Handelsgesetzbuch": German Commercial Code] and the special accounting provisions of the AktG ["Aktiengesetz": German Stock Corporation Act].

In order to improve the clarity of the financial statements, individual balance sheet and income statement items have been combined and are disclosed separately in the notes to the financial statements. All figures in the financial statements have been rounded to thousands of euro (EUR thousand). The figures stated in the notes are also in thousands of euro unless stated otherwise. The income statement has been prepared using the nature of expense method.

Accounting policies

Shares in affiliated companies and equity investments are stated at the lower of cost or market.

Receivables and other assets are valued at the lower of cost or market. Specific bad debt allowances provide for all foreseeable risks.

Provisions for pensions and similar obligations are recognized using actuarial principles in accordance with the method pursuant to Sec. 6a EStG ["Einkommensteuergesetz": German Income Tax Act] on the basis of the current mortality tables from Prof. Dr. Klaus Heubeck and an interest rate of 5%.

Sundry provisions account for all foreseeable risks.

Liabilities are recognized at the amount repayable.

Foreign currency liabilities are generally translated at the historical rate or the rate on the reporting date, whichever is higher.

[1] Fixed assets

The development of fixed assets of Porsche SE is shown in the statement of changes in fixed assets.

At the beginning of the year, the company acquired Porsche Zwischenholding GmbH (formerly: AF Navira GmbH) at a carrying amount of EUR 27 thousand. Effective 1 August 2009, the former Porsche AG was merged into Porsche Zwischenholding GmbH. Porsche Zwischenholding GmbH subsequently spun off the Porsche operations to the new Porsche AG (formerly: Porsche Fünfte Vermögensverwaltung AG).

On 7 December 2009, Volkswagen AG assumed a 49.9% shareholding in Porsche Zwischenholding GmbH by means of a capital increase. As of that date, the company now holds 50.1% of Porsche Zwischenholding GmbH at a carrying amount of EUR 3,282,452 thousand.

With the authorization of Volkswagen AG's shareholders granted on 3 December 2009 and the approval of Volkswagen AG's supervisory board, Volkswagen AG's board of management adopted a resolution to perform a capital increase on 23 March 2010. Since Porsche SE did not participate in this capital increase, the regulations of the German Commercial Code require that the subscription rights be separated from the previous investment carrying amount and presented as a disposal of EUR 67,188 thousand.

The complete list of Porsche SE's equity holdings is published in accordance with Sec. 287 HGB on the homepage of the German Electronic Federal Gazette, www.ebundesanzeiger.de.

Statement of changes in fixed assets

EUR000	1/8/2009	Additions	Disposals
Intangible assets			
Franchises, industrial and similar rights and assets and licenses in such rights and assets	6	0	0
Total intangible assets	**6**	**0**	**0**
Property, plant and equipment			
Other equipment, furniture and fixtures	382	164	0
Total property, plant and equipment	**382**	**164**	**0**
Financial assets			
Shares in affiliated companies	24,838,034	27	67,188
Equity investments	0	0	0
Total financial assets	**24,838,034**	**27**	**67,188**
Total fixed assets	**24,838,422**	**191**	**67,188**

	Cost	Amortization and depreciation			Carrying amounts
Reclassifications	31/7/2010	accumulated	in the fiscal year	31/7/2010	31/7/2009
0	6	3	2	3	5
0	**6**	**3**	**2**	**3**	**5**
0	546	147	106	399	341
0	**546**	**147**	**106**	**399**	**341**
0	24,770,873	0	0	24,770,873	24,838,034
0	0	0	0	0	0
0	**24,770,873**	**0**	**0**	**24,770,873**	**24,838,034**
0	**24,771,425**	**150**	**108**	**24,771,275**	**24,838,380**

[2] Receivables

All receivables are due from affiliated companies. They mainly include loan receivables from Porsche Zwischenholding GmbH (EUR 2,702,648 thousand) and from Porsche AG (EUR 1,312,847 thousand) that are due in more than one year. Should Porsche Zwischenholding GmbH become insolvent, Volkswagen AG will assume the loan obligations of this company due to Porsche SE provided it would have been possible to offset the obligations against claims against Porsche SE had the company not become insolvent. Volkswagen AG has a corresponding obligation relating to a loan receivable from Porsche AG in the case of Porsche AG's insolvency. The loan agreement contains a premature repayment clause in the event of Porsche AG's insolvency.

[3] Other receivables and assets

Other assets include above all tax refund claims and premiums from interest rate hedges. In addition, this item includes a put option of EUR 13,029 thousand relating to the remaining shares in Porsche Zwischenholding GmbH. This option relates to Volkswagen AG only and is due in more than one year. The right to exercise the put option has been assigned as collateral for liabilities to banks. The claims against Volkswagen AG arising if the put option is exercised were pledged as collateral for liabilities to banks.

[4] Cash and cash equivalents

The item cash and cash equivalents is composed of bank balances. The company has restricted use of an amount of EUR 45,000 thousand (prior year: EUR 1,450,200 thousand).

[5] Prepaid expenses

This item mainly comprises a debt discount of EUR 52,569 thousand (prior year: EUR 262,417 thousand) and prepayments for service agreements.

[6] Subscribed capital

Porsche SE's subscribed capital totals EUR 175,000 thousand and is divided into 87,500,000 ordinary shares and 87,500,000 non-voting preference shares. A proportionate amount of the capital stock of EUR 1 is allocable to each share.

Subject to approval of the supervisory board, the executive board is authorized until 28 January 2015 to increase the company's share capital, once or several times, by a maximum amount of EUR 87,500 thousand by issuing new bearer shares (ordinary shares) or non-voting preference shares in return for contributions in cash or in kind. The number of shares must be increased in direct proportion to the increase in share capital. The authorization may only be exercised in such a way that non-voting preference shares in proportion to share capital never exceed ordinary shares in proportion to share capital at any time. The authorization includes the right to issue non-voting preference shares which have equivalent entitlement to profits or net assets as any non-voting preference shares issued in the past.

The Porsche and Piëch families, in their capacity as holders of ordinary shares in Porsche SE, and Porsche GmbH, Salzburg, made a commitment within the framework of the overall concept of the basic agreement for the creation of an integrated automotive group to participate in the planned capital increase at Porsche SE. In their commitment to increase capital, the holders of ordinary shares in Porsche SE agree to a capital increase at Porsche SE with an issue volume of up to EUR 5 billion (half in ordinary and half in preference shares) under certain circumstances. Porsche GmbH, Salzburg, has made a commitment to subscribe to the new ordinary shares from this capital increase at Porsche SE under certain circumstances and if specific conditions are met, in return for a contribution of an estimated EUR 2.5 billion.

[7] Capital reserves

The capital reserves only contain additions from premiums.

[8] Retained earnings, net profit available for distribution

Retained earnings relate exclusively to other revenue reserves. In the reporting year, half of Porsche SE's net income for the year, EUR 4,495,723 thousand, was transferred to retained earnings in accordance with Sec. 58 (2) AktG ["Aktiengesetz": German Stock Corporation Act]. The net profit available for distribution in the prior year amounting to EUR 8,225 thousand was distributed in its entirety as a dividend based on the resolution adopted by the annual general meeting on 29 January 2010.

[9] Provisions

EUR000	**31/7/2010**	**31/7/2009**
Provisions for pensions and similar obligations	6,449	6,331
Income tax provisions	1,416,471	1,396,318
Other provisions	149,519	1,968,769
	1,572,439	**3,371,418**

The provisions for pensions and similar obligations primarily relate to retirement benefits for employees of Porsche SE. The pension obligations are covered in full by provisions.

Tax provisions include amounts prior-year taxes that have not been assessed yet.

Other provisions relate to open invoices with suppliers, litigation costs, interest on tax, uncertain liabilities and personnel and welfare obligations. Adequate provision was made for all foreseeable risks.

[10] Liabilities to banks

EUR000	2009/10	2008/09
Liabilities to banks	7,000,000	10,560,687
thereof due within one year	(2.500.000)	(4.098.687)

Liabilities to banks comprise loans only. Shares and other assets have been pledged as collateral on the loans. The pledged shares were assigned as collateral to a trustee. However, Porsche SE remains economic owner.

[11] Trade payables and

[12] Other liabilities

	31/7/2010		31/7/2009	
EUR000	Total	thereof due within one year	Total	thereof due within one year
Trade payables	**2,486**	**2,486**	**4,310**	**4,310**
Liabilities to affiliated companies	4,552,649	323,360	9,210,659	7,967,039
Other liabilities	184,249	25,622	29,588	29,588
thereof from taxes	(6)	(6)	(547)	(547)
Sundry liabilities	**4,736,898**	**348,982**	**9,240,247**	**7,996,627**

Liabilities to affiliated companies of EUR 348,739 thousand (prior year: EUR 433,000 thousand) are due in more than five years.

Receivables and shares have been pledged as collateral for EUR 3,879,801 thousand of the liabilities to affiliated companies.

Other liabilities comprise EUR 9,627 thousand for Volkswagen AG's call option for the remaining shares in Porsche Zwischenholding GmbH held by Porsche SE. This option has a remaining term of between one and five years. The claims arising at the level of Porsche SE if the put option is exercised were pledged as collateral for liabilities to banks.

[13] Revenue

The other revenue disclosed in the prior year included income from consulting activities and services (EUR 5,299 thousand). In the current period these items are presented in other operating income (EUR 3,545 thousand).

[14] Other operating income

EUR000	2009/10	2008/09
Income from stock price hedging derivatives	395,852	52,637,082
Income from foreign exchange gains	142,621	148,903
Income from reversal of provisions	11,251	3,929
Sundry operating income	91,770	54
	641,494	**52,789,968**

Sundry operating income mainly comprises income relating to the repurchase of bonds issued by Porsche Holding Finance plc., Dublin, at a market price below their notional value.

[15] Personnel expenses

EUR000	2009/10	2008/09
Salaries	16,633	74,514
Social security contributions, pension and other benefit costs	1,193	2,370
thereof for pension expenses	(483)	(1.949)
	17,826	**76,884**

Shares	2009/10	2008/09
Annual average number of employees pursuant to Sec. 285 No. 7 HGB		
Salaried employees	40	38
Interns	6	3
	46	**41**

As of the reporting date, the company had 37 employees and 7 interns.

[16] Other operating expenses

EUR000	2009/10	2008/09
Expenses from hedging derivatives	434,240	55,366,840
Legal and consulting fees	111,465	28,267
Advertising	913	136
Foreign exchange losses	62	824
Sundry operating expenses	84,431	10,463
	631,111	**55,406,530**

Expenses from hedging derivatives include an amount of EUR 320,159 thousand as compensation for losses incurred by Porsche Zweite Vermögensverwaltung GmbH from managing and holding stock options.

Sundry operating expenses primarily contain expenses of EUR 67,188 thousand from the disposal of subscription rights to shares in Volkswagen AG.

[17] Investment result

EUR000	2009/10	2008/09
Income from investments	9,849,592	289,050
thereof from affiliated companies	(9.849.592)	(289.050)
Income from profit and loss transfer agreements	1	2,702,648
	9,849,593	**2,991,698**

Income from investments includes dividends of EUR 9,609,964 thousand received from Porsche Zwischenholding GmbH. An amount of EUR 9,522,817 thousand thereof was transferred to Porsche SE by way of a withdrawal in kind.

The income from the profit and loss transfer agreement between Porsche Automobil Holding SE and Porsche Zweite Vermögensverwaltung GmbH also includes tax refunds.

[18] Interest result

EUR000	2009/10	2008/09
Interest and similar income	166,730	154,570
thereof from affiliated companies	(161.410)	(5.116)
Interest and similar expenses	– 1,017,325	– 901,079
thereof to affiliated companies	(-308,826)	(-378,779)
	– 850,595	**– 746,509**

The interest result essentially consists of income and expenses from loans.

[19] Contingent liabilities

Porsche SE guarantees the payment of interest and repayment of bonds totaling EUR 2,767,931 thousand to the bond creditors of Porsche International Finance plc., Dublin, Ireland. Porsche SE has issued a guarantee of EUR 479,957 thousand to the investors of the US private placement of Porsche Financial Services Inc., Wilmington/Delaware, USA. Furthermore, Porsche SE issued a letter of comfort in favor of Porsche Financial Services GmbH & Co. KG, Bietigheim-Bissingen, in which the company guarantees to ensure that Porsche Financial Services GmbH & Co. KG is always in a position to meet its obligations arising from a sale and leaseback agreement. Porsche SE issued a guarantee in the case of default to safeguard the refinancing of the leasing company Porsche Financial Services Great Britain Ltd., Reading. Volkswagen AG has signed a hold harmless agreement for 49.9% regarding the aforementioned guarantees.

In addition, Porsche SE guarantees the payment of interest and repayment of bonds totaling EUR 360,000 thousand to the bond creditors of Porsche Holding Finance plc., Dublin, Ireland. Porsche SE acts as guarantor for Porsche Zweite Vermögensverwaltung GmbH, Stuttgart, to fulfill all the obligations towards the counterparties of stock options it holds, where these obligations stem from the stock options. In addition, Porsche SE has undertaken to reimburse Porsche Zweite Vermögensverwaltung GmbH, Stuttgart, for all expenses arising in connection with holding and managing the stock options.

Porsche SE and Volkswagen AG entered into a basic agreement on 18/22 September 2009 that sets forth the steps for the creation of an integrated automotive group. As part of the basic agreement and the associated agreements implementing it, Porsche SE has agreed to hold Volkswagen AG and entities of the Porsche Zwischenholding GmbH group harmless from the following risks, provided they originated before Volkswagen AG made an investment in Porsche Zwischenholding GmbH:

- Porsche SE holds Volkswagen AG as well as Porsche Zwischenholding GmbH and Porsche AG harmless from obligations resulting from certain litigation, tax liabilities (plus interest) and for certain major losses. Provisions have already been recognized for some of these obligations.
- In addition, Porsche SE has granted Volkswagen AG various guarantees regarding Porsche Zwischenholding GmbH and Porsche AG. These relate, among other things, to the proper issue and full payment of the shares in Porsche AG, to the ownership of shares in Porsche Zwischenholding GmbH and Porsche AG as well as to the licenses, permits and industrial property rights required for Porsche AG's operations.
- In addition, Porsche SE will under certain circumstances hold Porsche Zwischenholding GmbH, Porsche AG and their legal predecessors harmless from tax burdens that go beyond the obligations from periods up until and including 31 July 2009 accounted for at the level of these entities.

- In order to secure any remaining claims of Volkswagen AG from the agreement between Porsche SE and Volkswagen AG on the investment held by Volkswagen AG in Porsche Zwischenholding GmbH, a retention mechanism was agreed in favor of Volkswagen AG for the purchase price payable in the event of the put or call options being exercised.

All of the liability risks described above relate in full to affiliated companies.

To secure any claims against Porsche SE relating to an agreement regulating the implementation of the basic agreement, a bank guarantee of EUR 1,000,000 thousand was provided for Volkswagen AG, for which Porsche SE issued an acknowledgement of debt. Shares were pledged as collateral for the bank guarantee.

Porsche SE issued a hold harmless declaration to the deposit guarantee fund agency as required by the Association of German Banks in August 2009. Volkswagen AG has agreed to hold Porsche SE harmless for internal purposes from any claims of the deposit guarantee fund agency.

[20] Other financial obligations

As of the reporting date there are other financial obligations for guarantee commission and trust fees totaling EUR 6,360 thousand.

[21] Derivative financial instruments

	Nominal volume		Carrying amount	
EUR000	Assets	Liabilities	Assets	Liabilities
Interest rate hedge	7,000,000	0	1,554	0
Stock price hedging derivatives	0	468,616	0	21,810
Put options for shares in Porsche Zwischenholding GmbH	3,892,750	3,892,750	13,029	9,627

The stock price derivatives had a negative fair value of EUR 22,534 thousand as of the reporting date. As a result a provision for potential losses of EUR 724 thousand was recognized for this item.

The fair values of the interest rate and stock price hedging derivatives were determined using available market data or suitable valuation techniques.

The put options for the remaining shares in Porsche Zwischenholding GmbH were recognized at their value as of the date of initial recognition. The option with a positive fair value is presented under other assets. In accordance with the imparity principle, the higher fair value (EUR 301,517 thousand) was not recognized as of the reporting date. The call option with a negative fair value is presented under other liabilities and was not revalued as of the reporting date because the option forms a hedge with the underlying that is held by the company.

Other options for stock price hedges with a nominal volume of EUR 468,616 thousand and a carrying amount of EUR 8,224 thousand are held by Porsche Zweite Vermögensverwaltung GmbH.

[22] Disclosure pursuant to Sec. 160 (1) No. 8 AktG ["Aktiengesetz": German Stock Corporation Act]

Notification on 7 January 2004:

Porsche AG received the following notification on 7 January 2004:

"We are writing to inform you on behalf of Familien Porsche-Daxer-Piëch Beteiligung GmbH, which we represent in legal matters, with registered offices in Stuttgart, Kronenstrasse 30, D-70174 Stuttgart, in accordance with Sec. 21 (1) Sentence 1 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] that the share of voting rights in Dr. Ing. h.c. F. Porsche Aktiengesellschaft held by Familien Porsche-Daxer-Piëch Beteiligung GmbH exceeded the thresholds of 5%, 10%, 25%, 50% and 75% of the voting rights as of 19 December 2003 and amounted to 100%. 74.33% of the voting rights are allocated to Familien Porsche-Daxer-Piëch Beteiligung GmbH in accordance with Sec. 22 (2) WpHG due to it joining an existing consortium agreement."

Notification on 27 October 2006:

Ferdinand Porsche Privatstiftung, Salzburg (Austria), and Ferdinand Porsche Holding GmbH, Salzburg (Austria), announced the following to us on 27 October 2006 in accordance with Sec. 21 (1) Sentence 1 WpHG:

"The voting share held by Ferdinand Porsche Privatstiftung, Salzburg (Austria), and by Ferdinand Porsche Holding GmbH, Salzburg (Austria) in Dr. Ing. h.c. F. Porsche Aktiengesellschaft exceeded the voting right thresholds of 5%, 10%, 25%, 50% and 75% on 20 October 2006 and now amounts to 100%. A share of 25.67% in voting rights thereof is allocated to both notifying parties pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG based on voting rights arising from shares held by a subsidiary of the notifying parties. A share of 74.33% in voting rights thereof is additionally allocated to both notifying parties pursuant to Sec. 22 (2) WpHG based on voting rights arising from shares held by third parties with whom a subsidiary of the notifying parties arranges any steps taken with respect to Dr. Ing. h.c. F. Porsche Aktiengesellschaft based on an existing consortium agreement."

Notification on 17 November 2006:

Familie Porsche Privatstiftung, Salzburg (Austria), and Familie Porsche Holding GmbH, Salzburg (Austria), announced the following to us on 17 November 2006 in accordance with Sec. 21 (1) Sentence 1 WpHG:

"The voting share held by Familie Porsche Privatstiftung, Salzburg (Austria), and by Familie Porsche Holding GmbH, Salzburg (Austria) in Dr. Ing. h.c. F. Porsche Aktiengesellschaft exceeded the voting right thresholds of 5%, 10%, 25%, 50% and 75% on 13 November 2006 and now amounts to 100%. A share of 24.44% in voting rights thereof is allocated to both notifying parties pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG based on voting rights arising from shares held by a subsidiary of the notifying parties. A share of 75.56% in voting rights thereof is additionally allocated to both notifying parties pursuant to Sec. 22 (2) WpHG based on voting rights arising from shares held by third parties with whom a subsidiary of the notifying parties arranges any steps taken with respect to Dr. Ing. h.c. F. Porsche Aktiengesellschaft based on an existing consortium agreement."

Notification on 29 January 2008:

Ferdinand Alexander Porsche GmbH and others notified us of the following on 29 January 2008 in accordance with Sec. 21 (1) Sentence 1 WpHG:

"The two parties who have signed this notification hereby announce to you on behalf of and with the authorization of the entities listed below (hereinafter also referred to as the "notifying parties") and represented by them, which at the time of this notification directly or indirectly held shares in Porsche Automobil Holding SE (then operating under the name of Dr. Ing. h.c. F. Porsche Aktiengesellschaft) in accordance with Sec. 21 (1) WpHG, as a correction to the notification of 22 December 2000:

The voting share held by each notifying party in Porsche Automobil Holding SE (formerly: Dr. Ing. h.c. F. Porsche Aktiengesellschaft), Porscheplatz 1, 70435 Stuttgart, Germany, exceeded the voting right thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on 21 December 2000 and on that date amounted to 100% of the voting rights (875,000 voting rights). As of today, it also amounts to 100% (8,750,000 voting rights).

The voting rights allocated to the individual notifying parties based on the existing consortium agreement pursuant to Sec. 22 (1) No.3 WpHG in the version dated 9 September 1998 (“old version”) or Sec. 22 (2) WpHG in the currently applicable version (“new version”) and pursuant to Sec. 22 (1) No. 2 WpHG, old version, or Sec. 22 (1) No. 1 WpHG, new version were as follows:

	Pursuant to Sec. 22 (1) No. 3 WpHG old version or Sec. 22 (2) WpHG new version		Pursuant to Sec. 22 (1) No. 2 WpHG old version or Sec. 22 (1) No. 1 WpHG new version	
Notifying party and address	**%**	**Voting rights**	**%**	**Voting rights**
Ferdinand Alexander Porsche GmbH, Stuttgart	87.74	767,726		
Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Austria	87.74	767,726	12.26	107,274
Hans-Peter Porsche GmbH, Stuttgart	87.78	768,104		
Ing. Hans-Peter Porsche GmbH, Salzburg, Austria	87.78	768,104	12.22	106,896
Wolfgang Porsche GmbH, Stuttgart	87.78	768,104		
Gerhard Porsche GmbH, Stuttgart	94.23	824,538		
Gerhard Anton Porsche GmbH, Salzburg, Austria	94.23	824,538	5.77	50,462
Louise Daxer-Piëch GmbH, Stuttgart	92.36	808,125		
Louise Daxer-Piëch GmbH, Salzburg, Austria	92.36	808,125	7.64	66,875
Ferdinand Piëch GmbH, Grünwald	86.84	759,827		
Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg, Austria	86.84	759,827	13.16	115,173
Hans Michel Piëch GmbH, Grünwald	86.84	759,827		
Dr. Hans Michel Piëch GmbH, Salzburg, Austria	86.84	759,827	13.16	115,173

The allocated voting rights of the following notifying parties pursuant to Sec. 22 (1) No. 2 WpHG old version or Sec. 22 (1) No. 1 WpHG new version were held via the following controlled companies, whose share of voting rights amounted to 3% or more each:

Notifying party	Controlled company
Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Austria	Ferdinand Alexander Porsche GmbH, Stuttgart
Ing. Hans-Peter Porsche GmbH, Salzburg, Austria	Hans-Peter Porsche GmbH, Stuttgart
Gerhard Anton Porsche GmbH, Salzburg, Austria	Gerhard Porsche GmbH, Stuttgart
Louise Daxer-Piëch GmbH, Salzburg, Austria	Louise Daxer-Piëch GmbH, Stuttgart
Dipl. Ing. Dr. h.c. Ferdinand Piëch, Salzburg, Austria	Ferdinand Piëch GmbH, Grünwald
Dr. Hans Michel Piëch GmbH, Salzburg, Austria	Hans Michel Piëch GmbH, Grünwald

3% or more of the voting rights arising from the shares of the following shareholders (notifying parties and third parties) were allocated to other notifying parties (excluding those notifying parties that have already been allocated voting rights arising 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) in accordance with 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 based in Stuttgart.

Dr. Wolfgang Hils
– representing 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
– representing the other notifying parties – ”

Notification on 29 January 2008:

Porsche Holding Gesellschaft mbH, Salzburg, Austria, notified us of the following on 29 January 2008 in accordance with Sec. 21 (1) Sentence 1 WpHG:

“I am writing to announce to you on behalf of Porsche Holding Gesellschaft m.b.H., Vogelweiderstrasse 75, A-5020 Salzburg (“notifying party”) in accordance with Sec. 21 (1) WpHG that its share of the voting rights held in Porsche Automobil Holding SE (formerly: Dr. Ing. h.c. F. Porsche Aktiengesellschaft), Porscheplatz 1, 70435 Stuttgart, exceeded the voting right thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on 27 February 1997 and on that date amounted to 100% of the voting rights (875,000 voting rights). As of today, it also amounts to 100% (8,750,000 voting rights).

A share in voting rights of 23.57% (206,251 voting rights) was allocated to the individual notifying parties pursuant to Sec. 22 (1) No. 2 WpHG in the version dated 26 June 1994 (“old version”) or Sec. 22 (1) No. 1 WpHG in the currently applicable version (“new version”) and a share of 76.43% (668,749 voting rights) was allocated pursuant to Sec. 22 (1) No. 3 WpHG, old version, or Sec. 22 (2) WpHG, new version.

The voting rights share allocated to the notifying parties pursuant to Sec. 22 (1) No. 2 WpHG, old version, or Sec. 22 (1) No. 1 WpHG, new version, amounting to 3% or more, were held via Porsche GmbH, Salzburg and Porsche GmbH, Stuttgart:

The share in voting rights allocated to the notifying parties pursuant to Sec. 22 (1) No. 3 WpHG, old version, or Sec. 22 (2) WpHG, new version, 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”

Notification on 29 January 2008:

Prof. Dr. Ing. h.c. Ferdinand Porsche and others, Austria, notified us of the following on 29 January 2008 in accordance with Sec. 21 (1) Sentence 1 WpHG:

"The two parties who have signed this notification hereby announce to you on behalf of and with the authorization of the individuals or entities listed under no. 1 and 2 below, which at the time of this notification directly or indirectly held shares in Porsche Automobil Holding SE (then operating under the name of Dr. Ing. h.c. F. Porsche Aktiengesellschaft) or their heirs and legal successors (hereinafter also referred to as the "notifying parties") in accordance with Sec. 21 (1) WpHG, as a correction to the notification of 5 February 1997:

The voting share held by each notifying party in Porsche Automobil Holding SE (formerly: Dr. Ing. h.c. F. Porsche Aktiengesellschaft), Porscheplatz 1, 70435 Stuttgart, Germany, exceeded the voting right threshold of 75% on 3 February 1997 and on that date amounted to 100% of the voting rights (875,000 voting rights). As of today, it also amounts to 100% for the persons that still exist today (8,750,000 voting rights).

The following voting rights were allocated to the individual notifying parties based on the existing consortium agreement pursuant to Sec. 22 (1) No. 3 WpHG in the version dated 26 June 1994 ("old version") or Sec. 22 (2) WpHG in the currently applicable version ("new version"):

	Pursuant to Sec. 22 (1) No. 3 WpHG old version or Sec. 22 (2) WpHG new version	
Notifying party and address	**%**	**Voting rights**
Prof. Dr. Ing. h.c. Ferdinand Porsche, Zell am See, Austria	99.84	873,569
Prof. Ferdinand Alexander Porsche, Gries/Pinzgau, Austria	87.82	768,461
Hans-Peter Porsche, Salzburg, Austria	87.82	768,461
Gerhard Anton Porsche, Mondsee, Austria	94.27	824,895
Dr. Wolfgang Porsche, Munich	87.82	768,461
Dr. Oliver Porsche, Salzburg, Austria	99.96	874,625
Kommerzialrat Louise Piëch, Thumersbach, Austria	99.80	873,216
Louise Daxer-Piëch, Vienna, Austria	93.89	821,499
Mag. Josef Ahorner, Vienna, Austria	99.24	868,313
Mag. Louise Kiesling, Vienna, Austria	99.24	868,313
Dr. techn. h.c. Ferdinand Piëch, Salzburg, Austria	86.94	760,719
Dr. Hans Michel Piëch, Salzburg, Austria	86.94	760,719
Porsche GmbH, Porscheplatz 1, 70435 Stuttgart	76.43	668,749

A share in voting rights of 23.57% (206,251 voting rights) were allocated to the former company Porsche Holding KG, Fanny-von-Lehnert Strasse 1, A-5020 Salzburg (current legal successor: Porsche Holding Gesellschaft m.b.H., Vogelweiderstrasse 75, A-5020 Salzburg) and Porsche GmbH, Vogelweiderstrasse 75, A-5020 Salzburg each in accordance with Sec. 22 (1) No. 2 WpHG, old version, and Sec. 22 (1) No. 1 WpHG, new version, and a share of voting rights of 76.43% (668,749 voting rights) was allocated pursuant to Sec. 22 (1) No. 3 WpHG, old version, or Sec. 22 (2) WpHG, new version.

The share in voting rights of Porsche GmbH, Salzburg, allocated to the notifying parties pursuant to Sec. 22 (1) No. 2 WpHG, old version, or Sec. 22 (1) No. 1 WpHG, new version, were actually held via Porsche GmbH, Stuttgart. The share in voting rights of Porsche Holding KG allocated to the notifying parties pursuant to Sec. 22 (1) No. 2 WpHG, old version, or Sec. 22 (1) No. 1 WpHG, new version, were actually held via Porsche GmbH, Salzburg and Porsche GmbH, Stuttgart. In both cases, the share in voting rights held in Porsche GmbH, Stuttgart, allocated to the notifying parties 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 share in voting rights allocated to the other notifying parties pursuant to Sec. 22 (1) No. 3 WpHG, old version, or Sec. 22 (2) 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
– representing the notifying parties Kommerzialrat Louise Piëch, Dr. techn. h. c. Ferdinand Piëch and Dr. Hans Michel Piëch –

Dr. Oliver Porsche
– representing the other notifying parties – ”

Notification on 6 August 2008:

On 6 August 2008, Ferdinand Karl Alpha Privatstiftung with registered office in Vienna, Austria made the following announcement as a correction to their announcement of 5 August 2008:

“The voting share of Ferdinand Karl Alpha Privatstiftung, Vienna, Austria in Porsche Automobil Holding SE, registered under HRB 724512 at the Stuttgart local court, with registered office in Stuttgart and the business address Porscheplatz 1, D-70435 Stuttgart, exceeded on 30 July 2008 the voting right thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% and on that date amounted to 100% of the voting rights. Of these, 13.16% of the voting rights (11,517,300 of a total of 87,500,000 voting rights) are allocated to Ferdinand Karl Alpha Privatstiftung in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocated to Ferdinand Karl Alpha Privatstiftung pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG are held via the following dependent companies whose voting share in Porsche Automobil Holding SE is 3% or more: Dipl. Ing. Dr. h.c. Ferdinand Piëch GmbH, FN 202342 m, with registered office in Salzburg, Austria; Ferdinand Piëch GmbH, HRB 163967 of the Munich local court, with registered office in Grünwald, Germany.
Moreover, 86,84% of the voting rights (75,982,700 voting rights of a total of 87,500,000 voting rights) of shareholders whose voting share in Porsche Automobil Holding SE amounts to 3% or more are allocated to Ferdinand Karl Alpha Privatstiftung in accordance with Sec. 22 (2) WpHG because, as a subsidiary of Ferdinand Karl Alpha Privatstiftung, Ferdinand Piëch GmbH coordinates its actions regarding Porsche Automobil Holding SE on account of the existing consortium agreement with these shareholders. The voting rights allocated to Ferdinand Karl Alpha Privatstiftung pursuant to Sec. 22 (2) WpHG are held by the following companies: Hans-Michel Piëch GmbH, Familie Porsche Beteiligung GmbH, Familien Porsche-Daxer-Piëch Beteiligung GmbH, Porsche Gesellschaft mit beschränkter Haftung.”

Notification on 19 December 2008:

On 19 December 2008, Dr. Oliver Porsche, Austria, announced, on behalf of and with the authorization of Familie Porsche Beteiligung GmbH, Grünwald, Germany, as a correction to the announcement of 3 January 2003 pursuant to Sec. 21 (1) WpHG, that the share of voting rights in Porsche Automobil Holding SE (at that time operating under the name Dr. Ing. h.c. F. Porsche Aktiengesellschaft), Porscheplatz 1, 70435 Stuttgart held by Familie Porsche Beteiligung GmbH as of 30 December 2002 exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%, and amounted to 100% as of that date (8,750,000 voting rights). As of today, it also amounts to 100% (87,500,000 voting rights).

Allocation as of 30 December 2002
49.90% of the voting rights (4,365,970 voting rights) were allocated to Familie Porsche Beteiligung GmbH as of 30 December 2002 in accordance with Sec. 22 (2) WpHG on the basis of a consortium agreement. The share of voting rights allocated to the following shareholders in accordance with Sec. 22 (2) WpHG came to 3% or more: Ferdinand Piëch GmbH, Hans-Michel Piëch GmbH, Porsche GmbH, all based in Stuttgart, Germany.

Allocation as of today:
75.57% of the voting rights (661,208,000 voting rights) are allocated to Familie Porsche Beteiligung GmbH as of today in accordance with Sec. 22 (2) WpHG on the basis of a consortium agreement. The share of voting rights allocated to the following shareholders in accordance with Sec. 22 (2) WpHG comes to 3% or more: Familien Porsche-Daxer-Piëch Beteiligung GmbH, Ferdinand Piëch GmbH, Hans-Michel Piëch GmbH, all based in Grünwald, Germany, Porsche GmbH, Stuttgart, Germany.

Notification on 19 December 2008:

On 19 December, 2008, Dr. Oliver Porsche, Austria, announced on his own behalf and on behalf of and with the authorization of the persons listed below (hereinafter also referred to as the “notifying parties”) as a correction to the correction from January 2007 and published on 2 February 2007 in accordance with Sec. 41 (2) Sentence 1 WpHG that their respective shares in the voting rights of Porsche Automobil Holding SE (at that time operating under the name Dr. Ing. h.c. F. Porsche Aktiengesellschaft), Porscheplatz 1, 70435 Stuttgart amounted to 100% (8,750,000 voting rights) as of 1 April, 2002. As of today, it also amounts to 100% (87,500,000 voting rights).

Allocation as of 1 April 2002
These voting rights were allocated to the individual notifying parties as follows on 1 April 2002 pursuant to Sec. 41 (2) Sentence 1, Sec. 22 (1) Sentence 1 No. 1, Sec. 22 (2) WpHG:

	Pursuant to Sec. 41 (2) Sentence 1, Sec. 22 (1) Sentence 1 No. 1 WpHG		**Pursuant to Sec. 41 (2) Sentence 1, Sec. 22 (2) WpHG**	
Notifying party and address	**%**	**Voting rights**	**%**	**Voting rights**
Mag. Josef Ahorner, Austria	7.64	668,750	92.36	8,081,250
Mag. Louise Kiesling, Austria	7.64	668,750	92.36	8,081,250
Dr. Oliver Porsche, Austria	12.26	1,072,740	87.74	7,677,260
Kai Alexander Porsche, Austria	12.26%	1,072,740	87.74	7,677,260
Mark Philipp Porsche, Austria	12.26%	1,072,740	87.74	7,677,260
Peter Daniell Porsche, Austria	12.22%	1,068,960	87.78	7,681,040

The allocated voting rights of the following notifying parties pursuant to Sec. 41 (2) Sentence 1, Sec. 22 (1) Sentence 1 No. 1 WpHG were held via the following controlled companies, whose attributable share of voting rights amounted to 3% or more each:

Notifying party	Controlled company
Mag. Josef Ahorner, Mag. Louise Kiesling	Louise Daxer-Piëch GmbH, Salzburg Louise Daxer-Piëch GmbH, Stuttgart
Dr. Oliver Porsche, Kai Alexander Porsche, Mark Philipp Porsche	Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Ferdinand Alexander Porsche GmbH, Stuttgart
Peter Daniell Porsche	Ing. Hans-Peter Porsche GmbH, Salzburg, Hans-Peter Porsche GmbH, Stuttgart

3% or more of the voting rights arising from the shares of the following shareholders were allocated to the notifying parties in accordance with Sec. 41 (2) Sentence 1, Sec. 22 (2) WpHG (excluding those notifying parties that have already been allocated voting rights arising from the shares of the respective shareholder in accordance with Sec. 41 (2) Sentence 1, Sec. 22 (1) Sentence 1 No. 1 WpHG): Ferdinand Alexander Porsche GmbH, Hans-Peter Porsche GmbH, Wolfgang Porsche GmbH, Gerhard Porsche GmbH, Louise Daxer-Piëch GmbH, Ferdinand Piëch GmbH, Hans-Michel Piëch GmbH, Porsche GmbH, all based in Stuttgart, Germany.

Allocation as of today
As of today, these voting rights are allocated to the individual notifying parties pursuant to Sec. 41 (2) Sentence 1, Sec. 22 (1) Sentence 1 No. 1, Sec. 22 (2) WpHG as follows:

	Pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG		Pursuant to Sec. 22 (2) WpHG	
Notifying party and address	**%**	**Voting rights**	**%**	**Voting rights**
Mag. Louise Kiesling, Austria	25.67	224,611,000	74.33	650,389,000
Dr. Oliver Porsche, Austria	25.67	224,611,000	74.33	650,389,000
Kai Alexander Porsche, Austria	25.67	224,611,000	74.33	650,389,000
Mark Philipp Porsche, Austria	25.67	224,611,000	74.33	650,389,000
Peter Daniell Porsche, Austria	24.43	223,792,000	75.57	661,208,000

As of today, the allocated voting rights of the following notifying parties pursuant to Sec. 41 (2) Sentence 1, Sec. 22 (1) Sentence 1 No. 1 WpHG are held via the following controlled companies, whose attributable share of voting rights amounts to 3% or more each:

Notifying party	Controlled company
Mag. Josef Ahorner, Austria, Mag. Louise Kiesling, Austria, Dr. Oliver Porsche, Austria, Kai Alexander Porsche, Austria, Mark Philipp Porsche, Austria	Ferdinand Porsche Privatstiftung, Salzburg, Ferdinand Porsche Holding GmbH, Salzburg, Louise Daxer-Piëch GmbH, Salzburg, Louise Daxer-Piëch GmbH, Grünwald, Prof. Ferdinand Alexander Porsche GmbH, Salzburg, Ferdinand Alexander Porsche GmbH, Grünwald, Gerhard Anton Porsche GmbH, Salzburg, Gerhard Porsche GmbH, Grünwald, Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald
Peter Daniell Porsche	Familie Porsche Privatstiftung, Salzburg, Familie Porsche Holding GmbH, Salzburg, Ing. Hans-Peter Porsche GmbH, Salzburg, Hans-Peter Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald

As of today, 3% or more of the voting rights arising from the shares of the following shareholders are allocated to the notifying parties in accordance with Sec. 41 (2) Sentence 1, Sec. 22 (2) WpHG (excluding those notifying parties that are already allocated voting rights arising from the shares of the respective shareholder in accordance with Sec. 41 (2) Sentence 1, Sec. 22 (1) Sentence 1 No. 1 WpHG): Familie Porsche Beteiligung GmbH, Familien Porsche-Daxer-Piëch Beteiligung GmbH, Ferdinand Piëch GmbH, Hans-Michel Piëch GmbH, all based in Grünwald, Germany, Porsche GmbH, Stuttgart, Germany.

Notification on 14 May 2009:

On 23 December 2008, at 7.22 p.m., Porsche Automobil Holding SE issued a ‘Correction to the publication of a miscellaneous voting right announcement’ entitled ‘Correction of a publication pursuant to Sec. 25 (1) WpHG, old version’. As a correction, it is hereby announced that this was a 'Correction to the publication of a miscellaneous voting right announcement pursuant to Sec. 21 (1) WpHG’ and 'Correction of a publication pursuant to Sec. 26 (1) WpHG’.
The publication on 23 December 2008 at 7.22 p.m. was worded as follows:
On 19 December 2008, Dr. Oliver Porsche, Austria, announced, on behalf of and with the authorization of Familie Porsche Beteiligung GmbH, Grünwald, Germany, as a correction to the announcement of 3 January 2003 pursuant to Sec. 21 (1) WpHG, that the share of voting rights in Porsche Automobil Holding SE (at that time operating under the name Dr. Ing. h.c. F. Porsche Aktiengesellschaft), Porscheplatz 1, 70435 Stuttgart held by Familie Porsche Beteiligung GmbH as of 30 December 2002 exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%, and amounted to 100% as of that date (8,750,000 voting rights). As of today, it also amounts to 100% (87,500,000 voting rights).

Allocation as of 30 December 2002
49.90% of the voting rights (4,365,970 voting rights) were allocated to Familie Porsche Beteiligung GmbH as of 30 December 2002 in accordance with Sec. 22 (2) WpHG on the basis of a consortium agreement.

The share of voting rights allocated to the following shareholders in accordance with Sec. 22 (2) WpHG came to 3% or more: Ferdinand Piëch GmbH, Hans-Michel Piëch GmbH, Porsche GmbH, all based in Stuttgart, Germany.

Allocation as of today:
75.57% of the voting rights (661,208,000 voting rights) are allocated to Familie Porsche Beteiligung GmbH as of today in accordance with Sec. 22 (2) WpHG on the basis of a consortium agreement.

The share of voting rights allocated to the following shareholders in accordance with Sec. 22 (2) WpHG comes to 3% or more: Familien Porsche-Daxer-Piëch Beteiligung GmbH, Ferdinand Piëch GmbH, Hans-Michel Piëch GmbH, all based in Grünwald, Deutschland Porsche GmbH, Stuttgart, Germany.’

Notification on 1 September 2009:

We were notified of the following on 1 September 2009:

“(1) Pursuant to Sec. 21 (1) WpHG we hereby notify for and on behalf of the State of Qatar, acting by and through the Qatar Investment Authority, P.O. Box: 23224, Doha, Qatar, that its indirect voting rights in Porsche Automobil Holding SE exceeded the thresholds of 3% and 5% and reached the threshold of 10% on 28 August 2009 and amounted to 10% of the voting rights of Porsche Automobil Holding SE (8,750,000 voting rights) as per this date, all of which are attributed to the State of Qatar pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG.

Voting rights that are attributed to the State of Qatar are held via the following entities which are controlled by it and whose attributed proportion of voting rights in Porsche Automobil Holding SE amount to 3% each or more:

(a) Qatar Investment Authority, P.O. Box: 23224, Doha, Qatar;

(b) Qatar Holding LLC, Qatar Finance Centre, 8th Floor, Q-Tel Tower, West Bay, Doha, Qatar;

(c) Qatar Holding Luxembourg II S.à.r.l., 65 Boulevard Grande-Duchesse Charlotte, L-1331, Luxembourg;

(d) Qatar Holding Netherlands B.V., Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

(2) Pursuant to Sec. 21 (1) WpHG we hereby notify for and on behalf of Qatar Investment Authority, P.O. Box: 23224, Doha, Qatar, that its indirect voting rights in Porsche Automobil Holding SE exceeded the thresholds of 3% and 5% and reached the threshold of 10% on 28 August 2009 and amounted to 10% of the voting rights of Porsche Automobil Holding SE (8,750,000 voting rights) as per this date, all of which are attributed to the Qatar Investment Authority pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights that are attributed to the Qatar Investment Authority are held via the entities as set forth in (1) (b) through (d) which are controlled by it and whose proportion of voting rights in Porsche Automobil Holding SE amount to 3% each or more.

(3) Pursuant to Sec. 21 (1) WpHG we hereby notify for and on behalf of Qatar Holding LLC, Qatar Finance Centre, 8th Floor, Q-Tel Tower, West Bay, Doha, Qatar, that its indirect voting rights in Porsche Automobil Holding SE exceeded the thresholds of 3% and 5% and reached the threshold of 10% on 28 August 2009 and amounted to 10% of the voting rights of Porsche Automobil Holding SE (8,750,000 voting rights) as per this date, all of which are attributed to Qatar Holding LLC pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights that are attributed to Qatar Holding LLC are held via the entities as set forth in (1) (c) through (d) which are controlled by it and whose proportion of voting rights in Porsche Automobil Holding SE amount to 3% each or more.

(4) Pursuant to Sec. 21 (1) WpHG we hereby notify for and on behalf of Qatar Holding Luxembourg II S.à.r.l., 65 Boulevard Grande-Duchesse Charlotte, L-1331, Luxembourg, that its indirect voting rights in Porsche Automobil Holding SE exceeded the thresholds of 3% and 5% and reached the threshold of 10% on 28 August 2009 and amounted to 10% of the voting rights of Porsche Automobil Holding SE (8,750,000 voting rights) as per this date, all of which are attributed to Qatar Holding Luxembourg II S.à.r.l. pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights that are attributed to Qatar Holding Luxembourg II S.à.r.l. are held via the entity as set forth in (1) (d) which is controlled by it and whose attributed proportion of voting rights in Porsche Automobil Holding SE amount to 3% or more.

(5) Pursuant to Sec. 21 (1) WpHG we hereby notify for and on behalf of Qatar Holding Netherlands B.V., Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands, that its direct voting rights in Porsche Automobil Holding SE exceeded the thresholds of 3% and 5% and reached the threshold of 10% on 28 August 2009 and amounted to 10% of the voting rights of Porsche Automobil Holding SE (8,750,000 voting rights) as per this date.

Frankfurt am Main, 1 September 2009”

Notification on 18 December 2009:

We were notified of the following on 18 December 2009:

"Pursuant to Sec. 21 (1) WpHG we hereby notify for and on behalf of Qatar Holding Germany GmbH, Frankfurt am Main, Germany, that its direct voting rights in Porsche Automobil Holding SE exceeded the thresholds of 3% and 5% and reached the threshold of 10% on 18 December 2009 and amounted to 10% of the voting rights of Porsche Automobil Holding SE (8,750,000 voting rights) as per this date.

Frankfurt am Main, 18 December 2009"

[23] Related parties

All transactions with related parties were performed at arm's length.

[24] Declaration on the German Corporate Governance Code

The executive board and supervisory board of Porsche SE issued the declaration required by Sec. 161 AktG on 20 November 2009 and made it permanently accessible to the shareholders of Porsche SE on the homepage www.porsche-se.com. The next declaration of compliance is scheduled for 13 October 2010.

[25] Fees

EUR000	2009/10	2008/09
Audits of financial statements	253	380
Other assurance services	993	670
Tax advisory services	1,885	264
Other services	1,101	1,193
	4,232	**2,507**

The item audits of financial statements contains the entire fee for the audit of the separate financial statements and for the audit of the consolidated financial statements of Porsche SE.

[26] Remuneration of the supervisory board and the executive board

The remuneration of the executive board totaled EUR 1,853 thousand for the fiscal year 2009/10. The total remuneration of the supervisory board for the fiscal year 2009/10 amounted to EUR 2,209 thousand. Remuneration is presented on an individualized basis in the management report.

Stuttgart, 1 October 2010

Porsche Automobil Holding SE

The executive board

Prof. Dr. Martin Winterkorn Thomas Edig Hans Dieter Pötsch

Company boards of Porsche Automobil Holding SE (part of the notes to the financial statements)

Members of the supervisory board

Dr. Wolfgang Porsche

Diplom-Kaufmann
Chairman

Uwe Hück*

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

Hans Baur*

Diplom-Ingenieur
Trade union secretary

Berthold Huber*

1st chairman of IG-Metall trade union

His Excellency Sheik Yassim bin Abdulaziz bin Yassim Al-Thani (since 29 January 2010)

Minister of business and trade

Prof. Dr. Ulrich Lehner

Member of the shareholders' committee
of Henkel AG & Co. KGaA

Peter Mosch*

Member of the
Porsche Automobil Holding SE
works council
Chairman of the AUDI AG general works council

Bernd Osterloh*

Chairman of the
Porsche Automobil Holding SE
works council
Chairman of the general and group works council
of Volkswagen AG

Hon.-Prof. Dr. techn. h.c. Ferdinand K. Piëch

Diplom-Ingenieur ETH

Dr. Hans Michel Piëch

Attorney at law

Dr. Ferdinand Oliver Porsche

Investment management

Hans-Peter Porsche (until 29 January 2010)

Engineer

Werner Weresch*

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

* Employee representatives
As of 31 July 2010

Members of the executive board

Prof. Dr. rer. nat. Martin Winterkorn
(since 25 November 2009)

Diplom-Ingenieur

Chairman of executive board of
Porsche Automobil Holding SE

Chief Executive Officer of Volkswagen AG and
member of the board of management
of Volkswagen AG
Corporate research and development

Hans Dieter Pötsch
(since 25 November 2009)

Diplom-Wirtschaftsingenieur

Chief Finance Officer of
Porsche Automobil Holding SE

Member of the board of management
of Volkswagen AG
Finance and controlling

Michael Macht
(until 30 September 2010)

Diplom-Ingenieur

General technical
product issues

Chairman of the executive board
of Dr. Ing. h.c. F. Porsche AG
(until 30 September 2010)

Thomas Edig

Diplom-Betriebswirt (BA)

Commercial and administrative
issues

Deputy chairman of
the executive board of
Dr. Ing. h.c. F. Porsche AG

Membership in other statutory supervisory boards and comparable domestic and foreign control bodies (part of the notes to the financial statements)

Members of the supervisory board of Porsche Automobil Holding SE

Dr. Wolfgang Porsche
(chairman)

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart
(chairman) [1]
Volkswagen AG, Wolfsburg
B) Porsche Holding GmbH, Salzburg (chairman)
Porsche Ges.m.b.H., Salzburg (chairman)
Porsche Retail GmbH, Salzburg (chairman)
(since 25 February 2010)
Porsche Austria GmbH, Salzburg (chairman)
(since 25 February 2010)
Familie Porsche AG Beteiligungsgesellschaft, Salzburg (chairman)
Porsche Bank AG, Salzburg (deputy chairman)
Porsche Cars Great Britain Ltd., Reading
Porsche Cars North America Inc., Wilmington
Porsche Ibérica S.A., Madrid
Porsche Italia S.p.A., Padua
Eterna S.A., Grenchen (chairman)
Schmittenhöhebahnen AG, Zell am See

Uwe Hück
(deputy chairman)

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart
(deputy chairman) [5]

Hans Baur

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart [2]
Berthold Leibinger GmbH, Ditzingen

Berthold Huber

A) Volkswagen AG, Wolfsburg (deputy chairman)
(since 25 May 2010)
AUDI AG, Ingolstadt (deputy chairman)
Siemens AG, Munich (deputy chairman)

His Excellency Sheik Yassim Bin Abdulaziz Bin Yassim Al-Thani (since 29 January 2010)

B) Qatar Foundation Board, Doha (chairman)
Qatar Foundation Endowment Fund, Doha
Investcorp, Manama
Qatar National Bank, Doha

Prof. Dr. Ulrich Lehner

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart [6]
(until 30 November 2009)
Deutsche Telekom AG, Bonn (chairman)
HSBC Trinkaus & Burkhardt AG, Düsseldorf
E.ON AG, Düsseldorf
ThyssenKrupp AG, Düsseldorf
Henkel Management AG, Düsseldorf
B) Dr. August Oetker KG, Bielefeld
Henkel AG & Co. KGaA, Düsseldorf
Novartis AG, Basle

Peter Mosch

A) Volkswagen AG, Wolfsburg
AUDI AG, Ingolstadt

Bernd Osterloh

A) Volkswagen AG, Wolfsburg
Auto 5000 GmbH, Wolfsburg
Autostadt GmbH, Wolfsburg
Wolfsburg AG, Wolfsburg
Projekt Region Braunschweig GmbH, Braunschweig
Volkswagen Coaching GmbH, Wolfsburg
VfL Wolfsburg Fussball GmbH, Wolfsburg

Hon.-Prof. Dr. techn. h.c. Dipl. Ing. ETH Ferdinand K. Piëch

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart [3)]
Volkswagen AG, Wolfsburg (chairman)
MAN SE, Munich (chairman)
AUDI AG, Ingolstadt

B) Porsche Holding GmbH, Salzburg
Porsche Ges.m.b.H., Salzburg
Porsche Retail GmbH, Salzburg
(since 25 February 2010)
Porsche Austria GmbH, Salzburg
(since 25 February 2010)

Dr. Hans Michel Piëch

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart [4)]
Volkswagen AG, Wolfsburg
(since 7 August 2009)
AUDI AG, Ingolstadt (since 19 November 2009)

B) Porsche Holding GmbH, Salzburg
(deputy chairman)
Porsche Ges.m.b.H., Salzburg
(deputy chairman)
Porsche Retail GmbH, Salzburg
(deputy chairman)
(since 25 February 2010)
Porsche Austria GmbH, Salzburg
(deputy chairman)
(since 16 February 2010)
Porsche Bank AG, Salzburg
Porsche Cars Great Britain Ltd., Reading
Porsche Cars North America Inc., Wilmington
Porsche Ibérica S.A., Madrid
Porsche Italia S.p.A., Padua
Volksoper Wien GmbH, Vienna
Schmittenhöhebahnen AG, Zell am See

Dr. Ferdinand Oliver Porsche

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart [3)]
Volkswagen AG, Wolfsburg
(since 7 August 2009)
AUDI AG, Ingolstadt
(since 19 November 2009)
Voith AG, Heidenheim

B) Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen
PGA S.A., Paris
Eterna S.A., Grenchen

Hans-Peter Porsche (until 29 January 2010)

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart [3)]

B) Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen
FAP Beteiligungen AG, Salzburg (chairman)
Familie Porsche AG Beteiligungsgesellschaft, Salzburg (deputy chairman)
Porsche Holding GmbH, Salzburg
Porsche Ges.m.b.H., Salzburg

Werner Weresch

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart [2)]

(Disclosures pursuant to Sec. 285 No. 10 HGB)

As of 31 July 2010 or the date on which members left the supervisory board of Porsche Automobil Holding SE.

A) Membership in German statutory supervisory boards
B) Comparable offices in Germany and abroad

1) Until 30 November 2009 Dr. Ing. h.c. F. Porsche AG (HRB no. 722287), since 30 November 2009 Dr. Ing. h.c. F. Porsche AG (HRB no. 730623)
2) Until 30 November 2009 Dr. Ing. h.c. F. Porsche AG (HRB no. 722287), since 6 April 2010 Dr. Ing. h.c. F. Porsche AG (HRB no. 730623)
3) Until 30 November 2009 Dr. Ing. h.c. F. Porsche AG (HRB no. 722287), since 30 March 2010 Dr. Ing. h.c. F. Porsche AG (HRB no. 730623)
4) Until 30 November 2009 Dr. Ing. h.c. F. Porsche AG (HRB no. 722287), from 30 November 2009 to 15 December 2009 and since 30 March 2010 Dr. Ing. h.c. F. Porsche AG (HRB no. 730623)
5) Until 30 November 2009 Dr. Ing. h.c. F. Porsche AG (HRB no. 722287), from 30 November 2009 to 30 March 2010 and since 6 April 2010 Dr. Ing. h.c. F. Porsche AG (HRB no. 730623)
6) (HRB no. 722287)

Members of the executive board of Porsche Automobil Holding SE

Prof. Dr. rer. nat. Martin Winterkorn
(since 25 November 2009)
(chairman)

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart
(since 15 December 2009)
AUDI AG, Ingolstadt (chairman)
Salzgitter AG, Salzgitter
FC Bayern München AG, Munich
B) Scania AB, Södertälje (chairman)
ŠKODA AUTO a.s., Mladá Boleslav (chairman)
(since 1 January 2010)
Porsche Holding GmbH, Salzburg
(since 18 December 2009)
Porsche Ges.m.b.H., Salzburg
(since 18 December 2009)
Bentley Motors Ltd., Crewe
Volkswagen (China) Investment Company Ltd., Beijing (chairman)
Volkswagen Group of America, Inc., Herndon, Virginia (chairman)

Hans Dieter Pötsch
(since 25 November 2009)

A) Dr. Ing. h.c. F. Porsche AG, Stuttgart
(since 30 March 2010)
AUDI AG, Ingolstadt
Volkswagen Financial Services AG, Braunschweig (chairman)
Autostadt GmbH, Wolfsburg (chairman)
Allianz Versicherungs-AG, Munich
Bizerba GmbH & Co. KG, Balingen
(until 31 December 2009)
B) Bentley Motors Ltd., Crewe
Volkswagen Group of America, Inc., Herndon, Virginia
Scania AB, Södertälje
Porsche Holding GmbH, Salzburg
Porsche Ges.m.b.H., Salzburg

Michael Macht (until 30 September 2010)

B) Porsche Consulting GmbH, Bietigheim-Bissingen (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 Japan K.K., Tokyo
Porsche Enterprises Inc., Wilmington
Porsche Consulting Italia S.r.l., Milan
(until 30 November 2009)
Porsche Leipzig GmbH, Leipzig
(until 30 November 2009)
PIKS Porsche-Information-Kommunikation Services GmbH, Stuttgart
(until 30 November 2009)
Advisory board KS ATAG
(until 30 November 2009)

Thomas Edig

A) DEKRA Automobil GmbH, Stuttgart
B) Porsche Consulting GmbH, Bietigheim-Bissingen
Porsche Logistik GmbH, Stuttgart
Porsche Leipzig GmbH, Leipzig
Mieschke Hofmann und Partner Gesellschaft für Management- und IT-Beratung mbH, Freiberg/N.
Porsche Consulting Italia S.r.l., Milan
(until 11 December 2009)

(Disclosures pursuant to Sec. 285 No. 10 HGB)

As of 31 July 2010 or the date on which members left the executive board of Porsche Automobil Holding SE.

A) Membership in German statutory supervisory boards
B) Comparable offices in Germany and abroad

Audit opinion

"We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Porsche Automobil Holding SE, Stuttgart, which has been combined with the group management report, for the fiscal year from 1 August 2009 to 31 July 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] 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 annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks relating to future development.

Stuttgart, 1 October 2010

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Hollweg	Benzinger
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [German Public Auditor]